Supreme Court, U.S.
FILED

02 129 JUL 23 2002

OFFICE OF THE CLERK

NO. _____

IN THE
Supreme Court of the United States

October Term, 2002

KUSTNER INDUSTRIES, S.A., *et al.*,
Petitioners,

v.

SCHREIBER FOODS, INC.,
Respondent,

On Petition for a Writ of Certiorari to the United States Court of Appeals for the Federal Circuit.

PETITION FOR A WRIT OF CERTIORARI

James L. Quarles III
Counsel of Record
William G. McElwain
HALE AND DORR LLP
1455 Pennsylvania Ave, NW,
10th Floor
Washington, DC 20004
(202) 942-8400
Counsel for Petitioner

100 PS

QUESTION PRESENTED

Did the United States Court of Appeals for the Federal Circuit misinterpret this Court's decision in *Pfaff v. Wells Electronics, Inc.*, 525 U.S. 55 (1998) and misapply 35 U.S.C. § 102(b) when it held in this, and a series of other recent cases, that an invention can only be considered to have been "on sale" within the meaning of §102(b)'s bar to patentability when a standard not suggested by the language, or the precedent of this Court is met, i.e., that there be "a formal offer under commercial contract principles with terms that can be accepted to form a contract?"

RULE 29.6 LISTING

Petitioner Kustner Industries, S.A. has no publicly traded subsidiaries or parents. Kustner Industries is an indirect subsidiary of the following private corporations: Gazana B.V., Brolaf Industries, N.V., Berkelium Investments Limited, and Olive Holdings Limited.

Petitioners Great Lakes Cheese Co., Inc., Great Lakes Cheese of LaCrosse Wisconsin, Inc. and Great Lakes Cheese of Wisconsin, Inc. also have no publicly traded subsidiaries or parents.

TABLE OF CONTENTS

page

QUESTIONS PRESENTED i

RULE 29.6 LISTING ii

TABLE OF AUTHORITIES iii

OPINIONS BELOW 1

JURISDICTION 2

STATUTORY PROVISION INVOLVED 2

STATEMENT OF THE CASE 2

REASONS FOR GRANTING THE WRIT 8

I. The Federal Circuit's Decision Impermissibly Contradicts this Court's Reasoning in *Pfaff* on a Fundamental Question of Patent Law 8

II. The Federal Circuit's Decision Contradicts the Plain Meaning of "On Sale" Under § 102(b) 11

III. The Federal Circuit's Decision Disserves the Public Policy Aims of § 102(b) 14

IV. The Non-Precedential Nature of the Opinion Below is Irrelevant to the Importance of the Issues Presented For Review 18

CONCLUSION 20

APPENDIX:

Appendix A: Order denying petition for rehearing and rehearing *en banc* in: *Schreiber Foods, Inc. v. Beatrice Cheese, Inc.*, et al. *1a*

Appendix B: *Schreiber Foods, Inc. v. Beatrice Cheese, Inc.*, et al. No- 00-1303, 01-1107 2002 U.S. App. LEXIS 3a

Appendix C: *Schreiber Foods, Inc. v. Beatrice Cheese, Inc.*, et al, 92 F. Supp. 2d 857 (E.D. Wis., 2000) 16a

TABLE OF AUTHORITIES

FEDERAL CASES

Aaron v SEC, 446 U.S. 680 (1980) 11, 13

Dana Corporation v. American Axle & Manufacturing, Inc., 279 F.3d 1372 (Fed. Cir. 2002) 19

Festo Corp. v. Shoketsu Kinzoku Kogyo Kabushiki Co., 234 F.3d 558 (Fed. Cir. 2000) *vacated* S. Ct. 1831 (2002) 13

Festo Corp. v. Shoketsu Kinzoku Kogyo Kabushiki Co., 122 S. Ct. 1831 (2002) 14

Group One, Ltd. v. Hallmark Cards, Inc., 254 F.3d 1041 (Fed. Cir. 2001) ..... *passim*

In re *John Kollar*, 286 F.3d 1326 (Fed. Cir. 2002) 18

Keystone Retaining Wall Sys., Inc. v. Westrock, Inc., 792 F. Supp. 1552 (D. Or. 1991) 12

Linear Technology Corp. v. Micrel, Inc., 63 F. Supp. 2d 1103 (N.D. Cal. 1999) *reversed-in-part*, 275 F.3d 1040 (Fed. Cir. 2001) 11

Linear Technology Corp. v. Micrel, Inc., *reversed-in-part*, 275 F.3d 1040 (Fed. Cir. 2001) 11, 12, 18

Netscape Communications Corp. v. Microsoft Corp., et. al., 2002 U.S. App. LEXIS 13840 (Fed. Cir. 2001) 19

Pennock v. Dialogue, 2 Peters (27 U.S.) 1 (1829) 14, 15

Pfaff v. Wells Electronic, Inc., 525 U.S. 55 (1998) ..... *passim*

RCA Corp. v. Data General Corp., 887 F.2d 1056 (Fed. Cir. 1989) 8, 11

Rhone Polenc v. DeKalb Genetics Corp., 284 F.3d 1323 (Fed. Cir. 2002) 19

Rotec Industries v. Mitsubishi Corp., 215 F.3d 1246 (Fed. Cir. 2000) 12

Scaltech, Inc. v. Retec/Tetra, L.L.C., 269 F.3d 1321 (Fed. Cir. 2001) 19

TRW Financial Systems, Inc. v. Unisys Corp., 835 F. Supp. 994 (E.D. Mich 1993) 12

Warner-Jenkinson Co. v. Hilton Davis Chem. Co., 520 U.S. 17 (1997) 13

FEDERAL STATUTES

24 Cong. Ch. 357, §6 5 Stat 117 8

28 U.S.C. § 1254(1) 2

35 U.S.C. § 102(b) ..... *passim*

35 U.S.C. § 271(a) 1

37 CFR §1.56 5

OTHER AUTHORITIES

Corbin, Arthur Linton, *Corbin on Contracts,* §2.2 at 105 (1993) 16, 17

Singer, Norman, *Statutes and Statutory Construction,* §46.06 at 193-94 (2000) 13

Uniform Commercial Code §2-204 (2001) 17

Webster's Ninth New Collegiate Dictionary 1037 (1983) 11

Webster's Third New International Dictionary 2003 (1976) 11

IN THE
Supreme Court of the United States

October Term, 2002

KUSTNER INDUSTRIES, S.A., *et al.*,
Petitioners,
v.

SCHREIBER FOODS, INC.,
Respondent,

On Petition for a Writ of Certiorari to the United States Court of Appeals for the Federal Circuit.

Kustner Industries, S.A., Great Lakes Cheese Co., Inc., Great Lakes Cheese of LaCrosse Wisconsin, Inc., and Great Lakes Cheese of Wisconsin, Inc. (collectively "Kustner") respectfully petition for a writ of certiorari to review the judgment of the United States Court of Appeals for the Federal Circuit.

OPINIONS BELOW

The Order of the United Stated Court of Appeals denying rehearing and rehearing *en banc*, reprinted at pages 1a-2a of the Appendix to this petition ("App."), *infra,* is reported at 2002 U.S. App. LEXIS 11819 (Fed. Cir., Apr. 24, 2002). The decision of the panel of the United States Court of Appeals for the Federal Circuit, reprinted at App. 3a-9a, *infra*, is reported at 2002 U.S. App. LEXIS 4448; (Fed. Cir., Feb. 27, 2002). The decision of the United States District

Court for the Eastern District of Wisconsin, reprinted at App. 10a-49a, *infra*, is reported at 92 F. Supp. 2d 857, (E.D. Wis. Mar. 30, 2000).

JURISDICTION

The United States Court of Appeals for the Federal Circuit entered judgment on February 27, 2002. The Court of Appeals denied a timely petition for rehearing and rehearing *en banc* on April 24, 2002.

The jurisdiction of this Court is invoked under 28 U.S.C. § 1254(1).

STATUTORY PROVISION INVOLVED

This case involves the following provision of the United States Code:

> A person shall be entitled to a patent unless—
>
> * * *
>
> (b) the invention was patented or described in a printed publication in this or a foreign country or in public use or on sale in this country, more than one year prior to the date of the application for patent in the United States . . . .

35 U.S.C. § 102(b).

STATEMENT OF THE CASE

35 U.S.C. § 102(b) erects what is referred to as the "on sale bar" to patentability if the claimed invention was "on sale" more than one year prior to the "date of the application for patent in the United States." The statute provides that, once an invention has been on sale for more than one year, no

one may obtain a patent on that invention, withdraw it from public commerce and obtain the right to exclude others from making, using or selling the invention.

In the period from 1836, when an "on sale" bar was first created in the patent statute, to 2001, commercial activities which made clear that the invention was available for purchase by the public were held to be sufficient to trigger the start of the one year period. These holdings were consistent with the plain meaning of the statute which creates a bar when an invention has been "on sale."[1]

In July 2001, the Federal Circuit dramatically changed that century and a half of statutory interpretation, now requiring "an offer which rises to the level of a commercial offer for sale, one which the other party could make into a binding contract by simple acceptance (assuming consideration)." *Group One, Ltd. v. Hallmark Cards, Inc.*, 254 F.3d 1041, 1048 (Fed. Cir. 2001). For good measure, the Federal Circuit announced that the Uniform Commercial Code, not enacted by any state until 117 and 1 year respectively after the 1836 and 1952 statutes,[2] would inform the determination of whether an offer was a "formal offer." *Group One, supra*, 254 F.3d at 1048.

That radical change in the law of the "on sale" bar occurred after the trial of this case, but before the Court of Appeals heard the appeal. Because this Court's decision in *Pfaff v. Wells Electronics, Inc.* 525 U.S. 55 (1998) had changed the other prong of the §102(b) analysis (the extent to which the invention must be developed) after the trial of the case, petitioner Kustner sought a remand to demonstrate it clearly met the *Pfaff* standard. The Federal Circuit, however,

---

[1] The 1836 patent statute created a bar if the invention was on sale at all prior to application. The 1952 act allowed one year after an invention was placed on sale for the inventor to determine whether to invest in patenting the invention.

[2] The UCC was first adopted by Pennsylvania in 1953.

declined to consider that argument, holding that petitioner Kustner could not meet the second prong of the test, changed after the trial was conducted, requiring a "formal commercial offer." App. at 14. ("Without any evidence of a formal offer, acceptance, contract or bill of sale, the record does not show that the Kustner KA prototype was the subject of a commercial offer. . . . In this case, ... even if the jury instructions were erroneous in light of Pfaff, the error would be harmless") (emphasis supplied).[3]

The patent case in which these on sale bar issues arise involves machines which allows sellers of cheese to produce individually wrapped slices of cheese. Well before the critical date of June 5, 1988 (one year in advance of the filing of the earliest application upon which Schreiber could rely to establish the priority of the patents-in-suits), Kustner, and its United States representative, Darleon, Inc., had indisputably begun to commercialize Kustner's machine, known as the "KA":

- In January 1988 the KA machine had been offered to a customer, Land O'Lakes, a price had been discussed, as had a delivery date. (A.4399).
- A second customer, Sargento Foods, testified that, before the critical date he met with a sales representative, learned the price, and "believed [the machine] was available for purchase." (A.4510).
- As a result of intelligence developed by Schreiber's European agent, Schreiber itself evinced an interest in buying the KA machine in December 1987, when Schreiber's chairman wrote to Kustner's president, stating that he understood that Kustner would "shortly offer for sale" a machine for the production of individually wrapped slices, professing a "genuine

[3] That the record did not satisfy the new standard is not surprising given that the standard became law only after the trial took place.

> interest in this equipment because we produce this product for the American market" and requesting "information together with specifications on the film and rough costs of the equipment and its thruput [sic]" to "determine whether or not it might be advantageous for us to make the change." (A.4901). Kustner agreed to meet.

On June 5, 1989, Schreiber filed the application which ultimately issued as U.S. Patent Nos. 5,440,860 (the '860 patent) and 5,701,724 (the '724 patent) in August 1995 and December 1997, respectively. In the prosecution of these patents, Schreiber's only disclosure to the examiner regarding the existence or nature of the Kustner machine was an undated brochure that the Examiner was forced to ignore because it bore no date.

In 1997, Schreiber sued Kustner and its customers, Beatrice Cheese, Inc. ("Beatrice") and Great Lakes Cheese ("Great Lakes"). One of the models of the machine accused of infringement was the very same KA machine made by Kustner substantially more than one year before Schreiber filed its first patent application.[4]

Among the defenses raised by Kustner was that the Schreiber patents were invalid or unenforceable because Kustner's machine was "on-sale" more than one year prior to Schreiber's patent application under 35 U.S.C. § 102(b). Kustner further contended that the patents were unenforceable because Schreiber had not discharged its duty under 37 CFR §1.56, to inform the Patent Office of the Kustner machine and the timing of its commercial availability.

---

[4] Prior to trial, Shreiber abandoned its infringement contentions against this model. However, the models of machine that were the subject of the trial were not materially different.

On August 24, 1998, four months before this Court decided *Pfaff*, a jury returned a verdict for Schreiber, finding that the patents were infringed, not invalid and that there was no inequitable conduct by Schreiber. The damages awarded against the defendants are, according to the plaintiff's interpretation of the verdict form, in excess of $20,000,000, and subject to trebling. One defendant, Beatrice Foods, settled, apparently by transferring its entire cheese business to Schreiber.

On March 30, 2000, in response to Kustner's post-trial motions, the District Court set the jury's verdict aside, ruling as a matter of law that no reasonable jury could find infringement, but denying Kustner's motions directed to invalidity and unenforceability.

Schreiber appealed to the Court of Appeals for the Federal Circuit. Kustner cross-appealed the District Court's judgment that the jury instructions, given prior to *Pfaff*, adequately instructed the jury on the proof required to demonstrate that the invention was sufficiently complete that its being "on sale" barred patentability. While the appeal and cross-appeal were pending, the Federal Circuit decided *Group One, Ltd. v. Hallmark Cards, Inc.*, 254 F.3d 1041, 59 U.S.P.Q. 2d 1121 (Fed. Cir. 2001). As a result of that decision both prongs of the "on sale" bar were changed from the rules in effect at the time of trial.

On February 27, 2002, the Federal Circuit ruled that the District Court had erred in setting aside the verdict of infringement. On Kustner's cross-appeal, the Federal Circuit held that "under § 102(b), a commercial offer for sale must be a formal offer under commercial contract principles with terms that can be accepted to form a contract." *Schreiber Foods, Inc. v. Beatrice Cheese, Inc. et al*, 2002 U.S. App. LEXIS 4448, *16, (2002) (citing *Group One*). Finding there was not sufficient evidence of "a formal offer," the Federal

Circuit affirmed based on its belief that any error in the jury instructions under *Pfaff* was harmless. *Id.*

Kustner timely petitioned for rehearing and rehearing *en banc*. That petition was denied on April 24, 2002. This petition for a writ of certiorari followed.

As a result of the decision of the Federal Circuit, Schreiber has now brought at least three additional cases against competing cheesemakers. *See Schreiber Foods, Inc. v. Hart Design & Mfg., Inc. and Gerald Schaetz*, No. 02-C-0665 (E.D. Wis. Filed July 3, 2002); *Schreiber Foods, Inc. v. Galaxy Nutritional Foods, Inc.*, No. 02-C-0498 (E.D. Wis. Filed May 17, 2002); *Schreiber Foods, Inc. v. Borden, Inc. n/k/a Borden Chemical, Inc., and Borden Foods Corp.*, No. 02-C-0293 (E.D. Wis. Filed Mar. 22, 2002).

REASONS FOR GRANTING THE WRIT

I. The Federal Circuit's Decision Impermissibly Contradicts this Court's Reasoning in *Pfaff* on a Fundamental Question of Patent Law.

Since July 4, 1836, the United States patent laws have used the term "on sale" to describe one of the events triggering bars against patentability. 24 Cong. Ch. 357, § 6, 5 Stat 117, 119. For more than one hundred sixty-five years, those statutory words have been given their ordinary meaning –an invention has been "on sale" when it was made available for purchase or was the subject of efforts to commercialize it. As the Federal Circuit had held, "[t]he purpose of the on-sale bar is to disallow protection for an invention which was being commercialized more than one year prior to the filing of a patent application." *RCA Corp. v. Data General Corp.*, 887 F.2d 1056, 1063, (Fed. Cir. 1989) (emphasis added). Thus, "a *definite* offer . . . may be met by a patentee's commercial activity which does not rise to the level of a formal 'offer' under contract law principles." *Id.* at 1062 (emphasis in original) (citations omitted).

This uniform body of law changed, however, when in the wake of this Court's decision in *Pfaff*, 525 U.S. 55 (1998), *supra*, a panel of the Federal Circuit decided *Group One*, 254 F.3d 1041 (Fed. Cir. 2001). In *Group One*, the Federal Circuit asserted that *Pfaff* had changed the law.

> Though the Court did not elaborate on what was meant by "a commercial offer for sale" – the issue not being directly presented – the language used strongly suggests that the offer must meet the level of an offer for sale in the contract sense, one that would be understood as such in the commercial community. Such a reading leaves no room for "activity which does not rise to the level

> of a formal 'offer' under contract law principles."

Group One, 254 F.3d at 1047 (referencing *RCA*) (footnote omitted).

Despite the fact that there was no issue presented in *Pfaff* as to whether a sale had occurred, rendering any statement on that issue dicta, the Federal Circuit appears to have understood *Pfaff* to have authorized (or perhaps required) the construction of an entire regime of new rules. Thus, the Federal Circuit held that "the question of whether an invention is the subject of a commercial offer for sale is a matter of Federal Circuit law, to be analyzed under the law of contracts as generally understood." *Group One*, 254 F.3d at 1047. The meaning of the statutory term "on sale" would, the Federal Circuit continued, be informed by "the Uniform Commercial Code ("UCC") to define whether, as in this case, a communication or series of communications rises to the level of a commercial offer for sale." *Id.*

Respectfully, this Court's decision in *Pfaff* did not suggest that the statutory language "on sale" should be supplanted by a standard or language not contained in the statute, ("commercial offer for sale"). Surely, this Court did not mean to suggest that the "on sale" language was an empty vessel into which the Federal Circuit was free to pour such extraneous tests as compliance with the UCC - - a body of law that existed neither in 1836 nor in 1952, when the first and most recent uses of the "on sale" language occurred.

Indeed, this Court explained that it had granted certiorari in *Pfaff* in part "because the text of §102(b) makes no reference to 'substantial completion' of an invention." *Pfaff v. Wells*, 525 U.S. at 60. If certiorari was granted because the Federal Circuit was employing a non-textual standard as to one part of §102(b), and this Court rejected that test in favor of the statutory language, it is extremely unlikely that this

Court meant to substitute (in dicta no less) "commercial offer for sale" for the statutory "on sale" language of §102(b).

Instead, a reading of this Court's *Pfaff* opinion makes clear that this Court used "commercial offer for sale" as a means of distinguishing experimental sales or uses which do not implicate the §102(b) bar. That this Court understood that commercial marketing started the bar clock running is clear from the two sentences following the very sentence *Group One* relied on:

> An inventor can both understand and control the timing of the first *commercial marketing* of his invention. The experimental use doctrine, for example, has not generated concerns about indefiniteness, and we perceive no reason why unmanageable uncertainty should attend *a rule* that *measures the application of the on-sale bar of §102(b) against the date when an invention that is ready for patenting is first marketed commercially.*

Pfaff, 525 U.S. at 67 (emphasis added) (footnote omitted).

Indeed, at the very outset of the *Pfaff* opinion, Justice Stevens framed the question to be decided as "whether the *commercial marketing* of a newly invented product may mark the beginning of the 1-year period even though the invention has not yet been reduced to practice." *Id.* at 57 (emphasis added) (footnote omitted). Every subsequent reference to commercial activity in the opinion demonstrates that this Court was focused on the distinction between commercial and experimental use, not suggesting that "on sale" equaled "formal offer under contract law principles." *See* "offered for sale on a commercial basis," *id.* at 59-60; "distinction between . . . experimental use and products sold commercially," *id.* at 64; "any attempt to use [an invention]

for a profit, and not by way of experiment," *id.* at 65; "not exploit his discovery competitively" *id.* at 68.

II. The Federal Circuit's Decision Contradicts the Plain Meaning of "On Sale" Under § 102(b).

Absent a clear legislative intent to the contrary, a statute's plain meaning should prevail. *Aaron v. SEC*, 446 U.S. 680, 697 (1980). The plain meaning of the phrase "on sale" is, as illustrated by a variety of dictionary definitions, "available for purchase." *See, e.g.*, Webster's Ninth New Collegiate Dictionary 1037 (1983) ("[One definition of the term 'on sale':] available for purchase at a reduced price"); Webster's Third New International Dictionary 2003 (1976) ("[One definition of the word 'sale':] exhibition for selling: the status of being purchasable – usu. used in the phrases *for sale* and *on sale* <put a house up for [sale]> <on [sale] at most stationery stores>" (emphasis in original)). The Federal Circuit's decisions in, for example, *RCA* were consistent with such a plain meaning of "on sale": "The requirement of a *definite* offer . . . may be met by a patentee's commercial activity which does not rise to the level of a formal 'offer' under contract law principles . . . ." *RCA*, 887 F.2d at 1062 (emphasis in original) (citations omitted).

Prior to the about face worked by *Group One*, a number of lower courts had also held that commercial activity was sufficient to show that an invention is "on sale," despite the fact that this commercial activity fell short of formal contractual offers. In *Linear Technology Corp. v. Micrel, Inc.*, 63 F. Supp. 2d 1103, 1125 (N.D. Cal. 1999), *reversed-in-part*, 275 F.3d 1040 (Fed. Cir. 2001) (following *Group One*), for example, LTC's pre-contract promotional activities went "beyond the making of mere preparations for the commercialization of the [invention]," and this led to the conclusion that the on-sale bar had been triggered. "Despite [the objections of the party opposing application of the on sale bar LTC], it is of little consequence that LTC did not

ship samples of the [invention] or 'formally' book orders from its international or domestic distributors or sales representatives until after the critical date." *Id.* at 1126 (citation omitted). Even marketing presentations, although made to individuals with no contracting authority, were sufficient to place an invention "on sale" within the terms of §102(b). *Keystone Retaining Wall Sys., Inc. v. Westrock, Inc.*, 792 F. Supp. 1552, 1564 (D. Or. 1991).

TRW Financial Systems, Inc. v. Unisys Corp., 835 F. Supp. 994 (E.D. Mich. 1993), also illustrates that pre-*Group One* courts did not search for "formal contractual offers," and some have held that a mere "intent to sell" can trigger the §102(b) bar:

> A patentee's commercial activity need not rise to the level of a formal "offer" under contract law principles to trigger the "on-sale bar". . . . The product will be deemed to have been "on sale" if the patentee engages in activities demonstrating an intent to sell the product . . . so long as the activities consist of more than merely indefinite or nebulous discussions about possible sale. . . . Merely quoting a price to a potential customer when the invention is sufficiently developed can render a patent invalid under 35 U.S.C. § 102(b).

Id. at 1003 (citations omitted).

That there is a distinction between something that is "on sale" and an "offer for sale" is also demonstrated by the separate use of those phrases in the patent statute. Section 271(a) makes an "offer for sale" an act of infringement. 35 U.S.C. § 271. In *Rotec Industries v. Mitsubishi Corp,* 215 F.3d 1246, 1253 (Fed. Cir. 2000), the Federal Circuit held that this phrase should be interpreted "according to its ordinary meaning in contract law, as revealed by traditional sources of authority." This, of course, is the identical standard applied by *Group One* to the "on sale" bar of §

102(b). It can be presumed, however, that if Congress meant the same activity to constitute both a potential bar and a potential act of infringement, it would have chosen the same statutory language. Norman J. Singer, STATUTES AND STATUTORY CONSTRUCTION, §46.06 at 193-94 (2000) ("There is a presumption that the same words used twice in the same act have the same meaning. Likewise, the courts do not construe different terms within a statute to embody the same meaning.") (Footnote omitted). That Congresst did not choose the same statutory language compels the conclusion that the phrases do not mean the same thing.

To be sure, were a legislature writing a new patent law on a blank page it might be free to select any event or series of events to act as the trigger for the start of the 35 U.S.C. § 102(b) bar clock. But the Federal Circuit was not writing on a blank slate, it was interpreting the words "on sale" which had first been added to the patent laws by Congress in 1836, and also used in the 1952 revision.

Whatever may be the attractiveness of *per se* or bright line rules, it is for Congress to write such laws. *See Aaron v. SEC,* 446 U.S. at 697 (absent clear legislative intent to the contrary, a statute's plain meaning should prevail). This Court recently rejected another attempt by the Federal Circuit to construct a bright line test. Compare *Festo Corp. v. Shoketsu Kinzoku Kogyo Kabushiki Co.,* 234 F.3d 558, 566 (Fed. Cir. 2000), *vacated,* 122 S. Ct. 1831 ("Therefore, a narrowing amendment made for any reason related to the statutory requirements for a patent will give rise to prosecution history estoppel with respect to the amended claim element.") with *Warner-Jenkinson Co. v. Hilton Davis Chem. Co.*, 520 U.S. 17, 32 ("Our prior cases have consistently applied prosecution history estoppel only where claims have been amended for a limited set of reasons, and *we see no substantial cause for requiring a more rigid rule invoking an estoppel regardless of the reasons for a change*."). (emphasis added) (footnote omitted) and *Festo*

Corp. v. Shoketsu Kinzoku Kogyo Kabushiki Co., 122 S.Ct. 1831 (2002). Congress proscribed the patenting of inventions that had been "on sale" for more than one year, not merely those inventions which had also been the subject of "formal offers for sale." As we demonstrate in the next section, an invention can be "on sale" long before there has been "an offer for sale in the contract sense, one that would be understood as such in the commercial community." *Group One*, 254 F.3d at 1047.

III. The Federal Circuit's Decision Disserves the Public Policy Aims of § 102(b).

This Court has identified two basic policies behind the "on sale" bar of §102(b). First, the bar precludes an inventor from extending the period of economic advantage that can be derived from an invention. This concern was identified in the seminal case of *Pennock v. Dialogue*, 27 U.S. 1, 19 (1829):

> If an inventor should be permitted to hold back from the knowledge of the public the secrets of his invention; if he should for a long period of years retain the monopoly, and make, and sell his invention publicly, and thus gather the whole profits of it, relying upon his superior skill and knowledge of the structure; and then, and then only, when the danger of competition should force him to secure the exclusive right, he should be allowed to take out a patent, and thus exclude the public from any farther use, than what should be derived under it during his fourteen years; it would materially retard the progress of science and the useful arts, and give a premium to those who should be least prompt to communicate their discoveries.

The second policy aim of § 102(b) is to require that inventions enter the public domain as soon as possible. As the *Pennock* court observed, while granting a "reasonable reward" to inventors is one object of the patent laws, the "main object" is to promote the availability of inventions to the public:

> While one great object was, by holding out a reasonable reward to inventors, and giving them an exclusive right to their inventions for a limited period, to stimulate the efforts of genius; the main object was "to promote the progress of science and useful arts;" and this could be done best, *by giving the public at large a right to make, construct, use, and vend the thing invented, at as early a period as possible*; having due regard to the rights of the inventor.

Pennock, 27 U.S. at 19 (emphasis supplied). By creating a bar date after the events set forth in § 102(b), the statute compels an inventor to make an early disclosure of the invention in order to obtain a patent monopoly.[4]

The Federal Circuit's test requiring a formal offer for sale serves neither of these purposes. Inventors can spend years

---

[4] Because, in general, the United States awards priority of invention to the first to make an invention, rather than the first to file a patent application, most of the provisions of 35 U.S.C. §102 identify prior art which defeats patentability only if dated before the date of invention of a patent applicant. But for Section 102(b), (which allows prior art dated after invention but before the filing of the application to bar patentability), an inventor could delay filing a patent application indefinitely while a commercial market matures, thus depriving the public at large of early knowledge of the invention and maximizing the commercial benefits of any patent ultimately obtained. Section 102(b), by creating prior art which defeats patentability if it is dated more than one year before the application for a patent, compels an inventor to make an early disclosure of the invention.

of "free" time advertising their product, tempting customers with its availability, and building up unsatisfied demand for the product.

Particularly in the case of complex machinery, such as that in-suit, the gap between the two prongs (completion of the invention and its placement "on sale") of the "on sale" test is likely to lengthen as companies refine and market a commercial product while not formally making an offer for sale. In such a case, the result would be a bar date that could permit an inventor to delay the filing of an application on an invention that was "ready for patenting" many years earlier, thus extending the effective period of the patentee's monopoly and delaying both the public's knowledge of the invention and its right to practice it.

Moreover, the cost of the Federal Circuit's new formulation is unlikely to be offset by any benefit from creating a "bright line" test. The difficulty of determining what exactly constitutes a formal "offer" under the laws of contracts has been explained by one of the foremost authorities in the field of contracts:

> The determination of whether a certain communication by one party to another is an operative offer, and not merely an inoperative step in the preliminary negotiation, is a matter of interpretation in the light of all the surrounding circumstances. Since two cases are never identical in the exact words used, in the existing relations and history of the parties, in the circumstances surrounding the communication, the decision made in one case can never be regarded as conclusive precedent for the other.

1 ARTHUR LINTON CORBIN, CORBIN ON CONTRACTS, §2.2 at 105-06 (rev. ed. 1993) (footnotes omitted).

Likewise, the UCC provides little guidance on when a communication rises to a level of an offer for sale that can lead to a binding contract. What constitutes an "offer" is not even defined by the Code, much less a "formal offer." Instead, contracts can be formed "in any manner" including conduct "which recognizes the existence of such a contract." U.C.C. §2-204 (2001). A contract can be made "even though the moment of its making is undetermined." *Id.* If the UCC is followed, an "on sale" bar would not arise in many instances until a contract is actually formed, because it will not be possible to identify a "formal offer."

Fundamentally, the policy considerations which underlie contract law and whether a communication is, or is not, a valid offer have little to do with the policy considerations which underlie §102(b). Contract law in general, and the UCC in particular, is concerned with facilitating economic transactions among businesses in accordance with commercial norms. There are good reasons why contract law would demand a level of definiteness as to such things as price, quantity or delivery for a communication to constitute an offer. These reasons are irrelevant to the concerns that underlie patent law.

For example, generally, an advertisement is presumed not to be an offer. CORBIN ON CONTRACTS, § 2.4 at 116-20. The general law of contracts protects the advertiser from having too many people become interested in the advertisement and demand delivery of the item, thereby outstripping the advertiser's inventory. *See id. See also id.*, § 2.2 at 108. ("[A] newspaper advertisement, circular or form letter is only rarely an offer."). Thus, under contract law, the advertisement is often treated as only an invitation for offers to buy.[5]

---

[5] A simple example illustrates the mischief of the Federal Circuit's reasoning in *Group One*. Suppose that Inventor Pfaff had advertised his invention in the *Washington Post*, the *New York Times*, and the *Los*

Concerns such as these are obviously quite irrelevant to the concerns that underlie §102(b). There is no justification for a rule that would make the patentability of an invention turn on whether an offer was made to sell, or merely to solicit offers to buy the product. Yet that is one of the results that follows from the rule applied in this case.

IV. The Non-Precedential Nature of the Opinion Below is Irrelevant to the Importance of the Issues Presented for Review.

Schreiber will no doubt oppose the grant of this petition on the ground that the non-precedential nature of the Federal Court's opinion somehow diminishes the importance of the question presented. It does not.

This is not an instance in which the rationale for the decision of a case can be limited to its facts, or is somehow *sui generis* to a single case. In the 13 months since the Federal Circuit decided Group One, the Federal Circuit has issued at least 6 precedential opinions in which Group One was cited as central to the decision. *See, e.g., Linear Technology, Inc. v. Micrel*, 275 F.3d 1040, 1043 (Fed. Cir. 2002) (reversing the district court's application of the on-sale bar because "[u]nder the new legal standard articulated in Group One, neither the facts found by the district court nor the evidence of record supports the conclusion that an invalidating offer for sale occurred in this case"); *In re John Kollar* 286 F.3d 1326 (Fed. Cir. 2002) (holding that, even

---

Angeles Times with a full page advertisement every day for a week: "Newly designed chip seats for sale; 50 units for $250,000." This would not be a "formal offer" because too many people could accept the terms of the advertisement and claim a binding contract. Yet every layman, English teacher, high school student, or statutory draftsman would answer "yes" if asked whether Inventor Pfaff's chip seats were "on sale." Only an interpretation of § 102(b) requiring a "formal offer for sale," such as the Federal Circuit's opinion in this case, permits a negative answer to the question.

where money changes hands there had not been a sale under Group One when the transaction involved the sale of the rights to a process or to the rights under a patent); *Rhone Polenc v. DeKalb Genetics Corporation*, 284 F.3d 1323 (Fed. Cir. 2002) rehearing denied, 2002 U.S. App. LEXIS 13536 (relying upon Group One's determination that whether an invention is "on sale" is a question of federal law); *Dana Corporation v. American Axle & Manufacturing, Inc.*, 279 F.3d 1372 (Fed. Cir. 2002) (remanding for reconsideration, in part, of the effect of Group One on the district court's analysis); *Scaltech, Inc. v. Retec/Tetra, L.L.C.*, 269 F.3d 1321 (Fed. Cir. 2001) reh'g. denied 2001 U.S. App. LEXIS 27843 (affirming grant of summary judgment because the requirements of Group One were met); *Netscape Communications Corp. v. Microsoft Corp.*, et. al., 2002 U.S. App. LEXIS 13840 (Fed. Cir. 2001) (affirming on sale bar, citing *Group One*.)

Nor can the significance of this issue to the parties be dismissed. This case will move tens of millions of dollars between parties, has eliminated one competitor (Beatrice) from the cheese business, and three others are currently facing suit.

Finally, by reconsidering the flawed decision of the Court of Appeals now, this Court has the opportunity to prevent it from becoming institutionalized and having countless future patent applicants rely upon an apparent latitude to market their products so long as they carefully avoid an actual "formal offer" for sale. The longer this Court waits to address the Federal Circuit's misinterpretation of *Pfaff*, the more disruptive a possible reversal by this Court.

CONCLUSION

For the foregoing reasons, a writ of certiorari should issue to review the judgment and opinion of the United States Court of Appeals for the Federal Circuit.

Respectfully submitted,

James L. Quarles III
Counsel of Record
William G. McElwain
HALE AND DORR LLP
1455 Pennsylvania Ave., N.W.,
10th Floor
Washington, D.C. 20004
(202) 942-8400

July 23, 2002

APPENDICES

Appendix A

No. 00-1303, 01-1107

UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

2002 U.S. App. LEXIS 11819

SCHREIBER FOODS, INC.,

Plaintiff-Appellant

v.

BEATRICE CHEESE, INC.,

Defendant,

and

KUSTNER INDUSTRIES, S.A.,

Defendant-Cross Appellant,

and

GREAT LAKES CHEESE CO., INC., GREAT LAKES CHEESE OF LA CROSSE WISCONSIN, INC., and GREAT LAKES CHEESE OF WISCONSIN, INC.,

Defendants-Cross Appellants.

A combined petition for panel rehearing and for rehearing en banc having been filed by the CROSS-

APPELLANT, and a response thereto having been invited by the court and filed by the APPELLANT, and the petition for rehearing having been referred to the panel that heard the appeal, and thereafter the petition for rehearing en banc and response having been referred to the circuit judges who are in regular active service,

UPON CONSIDERATION THEREOF, it is

ORDERED that the petition for panel rehearing be, and the same hereby is, DENIED and it is further ORDERED that the petition for rehearing en banc be, and the same hereby is, DENIED.

The mandate of the court will issue on May 1, 2002.

Dated: April 24, 2002 _____

Appendix B

No. 00-1303, 01-1107

UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

2002 U.S. App. LEXIS 4448; 31 Fed. Appx. 727

SCHREIBER FOODS, INC.,

Plaintiff-Appellant

v.

BEATRICE CHEESE, INC.,

Defendant,

and

KUSTNER INDUSTRIES, S.A.,

Defendant-Cross Appellant,

and

GREAT LAKES CHEESE CO., INC., GREAT LAKES CHEESE OF LA CROSSE WISCONSIN, INC., and GREAT LAKES CHEESE OF WISCONSIN, INC.,

Defendants-Cross Appellants.

JUDGES: Before MAYER, Chief Judge, RADER, and DYK, Circuit Judges. OPINION BY: RADER, Circuit Judge.

The United States District Court for the Eastern District of Wisconsin overturned as a matter of law the jury's verdict in favor of Schreiber Foods, Inc. *Schreiber Foods, Inc. v. Beatrice Cheese*, 92 F. Supp. 2d 857 (E.D. Wis. 2000). Because substantial evidence supports the jury's finding of infringement, this court reverses and remands for reinstatement of the jury verdict. Because the district court did not abuse its discretion, this court affirms its finding of no inequitable conduct.

BACKGROUND

Schreiber Foods, Inc. (Schreiber) sued Beatrice Cheese, Inc. (Beatrice), and Kustner Industries, S.A., Great Lakes Cheese Co., Inc., Great Lakes Cheese of La Crosse Wisconsin, Inc., and Great Lakes Cheese of Wisconsin, Inc. (collectively Kustner) for infringement of various claims of its two U.S. Patent Nos. *5,440,860* (the *860* patent) and *5,701,724* (the *724* patent).

The 860 and *724* patents relate to machinery and methods for packaging processed cheese in hermetically sealed individual slices. The accused machines are the Kustner KE and KD individually wrapped slice machines. The question of Kustner's infringement literally or under the doctrine of equivalents depends on the meaning of two limitations in the patent claims: "folding" and "continuous." Claim 1 of the *860* patent reads:

1. A process for packaging a food item formed into a soft mass wherein the food is wrapped in individual slices comprising:

> folding a continuous web of heat-sealable thermoplastic material into folded condition including a fold, a folded longitudinal first side and an open longitudinal second side, the web on one side of the fold defining a front sheet and the web on the other side of the fold defining a rear sheet;
>
> . . . .after the food item is inserted, flattening the web to form a continuous slice of the food item disposed between the front sheet and the rear sheet of the web . . . .
>
> *860* patent, cl. 1 (emphasis added).

Before trial, the district court held a Markman hearing to interpret the disputed terms of the claims. In an August 7, 1998 opinion and order, as modified orally on August 14, 1998, the court found the claim term "folding" synonymous with the "V-folding" language in the specification of both patents. Additionally, the court construed the claim term "continuous slice" to mean a length of flattened food product without any interruptions. *Schreiber Foods*, 92 F. Supp. 2d at 860. The court also held that "any creasing . . . creates an interruption." *Id.* at 864.

On August 24, 1998, a jury found that Beatrice and Kustner willfully infringed claims 1 and 2 of the *860* patent, and claims 14, 15, 18, 21, 24, and 25 of the *724* patent. *Id.* at 859[6]. The jury was not specifically asked to find whether

---

[6] According to the specification, the term V-folded condition refers to a length of material that has been folded over onto itself to form what may subsequently be identified as a front sheet and a rear sheet joined by the fold at the bottom, to

Schreiber proved literal infringement. *Id.* at 862 n.5. On Kustner's motion for judgment as a matter of law (JMOL), the district court held in its March 30, 2000 decision and order that: (1) the patents were not literally infringed; (2) the "all elements" rule precluded a finding of infringement under the doctrine of equivalents; and (3) Schreiber did not intentionally withhold material information from the Patent and Trademark Office (PTO). *Id.* at 882. In an earlier decision and order, the court concluded that prosecution history estoppel did not preclude a finding of infringement under the doctrine of equivalents. *Id.* at 859.

On Schreiber's motion to amend the March 30, 2000 judgment, the district court issued a decision and order on October 18, 2000, vacating the judgment on the merits against Beatrice and dismissing with prejudice all claims and counterclaims between Schreiber and Beatrice. Schreiber appeals the judgment of non-infringement of its two patents by Kustner. Kustner cross-appeals the judgment of no inequitable conduct by Schreiber. This court has jurisdiction under 28 U.S.C. § 1295(a)(1) (1994).

DISCUSSION

This court reviews a district court's grant of JMOL without deference. *Texas Instruments Inc. v. Cypress Semiconductor Corp.*, 90 F.3d 1558, 1563, 39 USPQ2d 1492, 1496 (Fed. Cir. 1996); *Markman v. Westview Instruments, Inc.*, 52 F.3d 967, 975, 34 USPQ2d 1321, 1326 (Fed. Cir. 1995) (*en banc*), *aff'd*, 517 U.S. 370 (1996). A trial court may only enter JMOL if the jury's verdict is unsupported by substantial evidence or premised on incorrect legal standards. *Applied Med. Res. Corp. v. United States Surgical Corp.*, 147

---

approximate the letter "V" in cross section. *860* patent at col. 1 lines 28-33; *724* patent at col. 1 lines 26-31.

F.3d 1374, 1376, 47 USPQ2d 1289, 1290 (Fed. Cir. 1998); *Markman*, 52 F.3d at 975.

Inequitable conduct lies within the discretion of the district court. Thus, this court reviews inequitable conduct determinations for an abuse of discretion. *Kingsdown Med. Consultants, Ltd. v. Hollister, Inc.*, 863 F.2d 867, 876, 9 USPQ2d 1384, 1392 (Fed. Cir. 1988) (en banc). In other words, this court reverses the district court's discretionary ruling only when it is premised upon clearly erroneous findings of fact or a misapplication or misinterpretation of applicable law, or evinces a serious error of judgment. Id.

An infringement analysis requires the trial court to determine the meaning and scope of the asserted patent claims. *Markman* 52 F.3d at 976. This court reviews that claim construction without deference. *Cybor Corp. v. FAS Techs., Inc.*, 138 F.3d 1448, 1456, 46 USPQ2d 1169, 1174 (Fed. Cir. 1998) (*en banc*).

As a general rule, terms in a patent claim receive their plain, ordinary, and accepted meaning within the community of those of ordinary skill in the relevant art. *Toro Co. v. White Consol. Indus., Inc.*, 199 F.3d 1295, 1299, 53 USPQ2d 1065, 1067 (Fed. Cir. 1999). A "heavy presumption" favors the ordinary meaning of claim language as understood by one of ordinary skill in the art. *Johnson Worldwide Assocs., Inc. v. Zebco Corp.*, 175 F.3d 985, 989, 50 USPQ2d 1607, 1610 (Fed. Cir. 1999). Beyond this accepted meaning, however, the construing court consults the specification and relevant prosecution history to provide context for understanding the meaning of the terms to one of skill in the art at the time of invention. *Pitney Bowes, Inc. v. Hewlett-Packard Co.*, 182 F.3d 1298, 1309, 51 USPQ2d 1161, 1169 (Fed. Cir. 1999). The interpretative process forbids importing limitations from the specification into the defining language of the claims.

Intervet Am., Inc. v. Kee-Vet Labs., Inc., 887 F.2d 1050, 1053, 12 USPQ2d 1474, 1476 (Fed. Cir. 1989).

The accepted meaning of the term "fold," when used as a verb, is: "to lay one part over another part," or "to reduce the length or bulk by doubling over." Webster's Ninth New Collegiate Dictionary at 478-79 (1990). When used as a noun, "fold" means: "a part doubled or laid over another part," or "a crease made by folding something." *Id.* at 479.

In this case, the district court erred by restricting the term "folding" to the "V" fold featured in the specification. Specifically, in construing the term "folding" in claim 1, the court turned to a portion of the specification that defines the "V-folded condition." n1 *860* patent at col. 1 lines 28-33; *724* patent at col. 1 lines 26-31. The trial court then compared that portion of the specification to claim 1 and concluded that the term "folding" in claim 1 is synonymous with "V-folding" in the specification.[7] n2 By this conclusion, the district court impermissibly imported the "V" limitation from the specification into the claim term "folding."

The district court also relied on the prosecution history to construe "folding." During prosecution of the *860* patent, Schreiber amended claim 1 by deleting the "V-" in "V-folding." The examiner entered the amendment. Later, during prosecution of the *724* patent, Schreiber attempted to make the same amendment to the specification. This time,

---

[7] The court found that claim 1 speaks of only one fold, with the film on one side of the fold constituting a front sheet and the film on the other side constituting a rear sheet - the same as the V-fold definition. *860* patent at col. 1, lines 28-33; *724* patent at col. 1 lines 26-31.

however, the examiner rejected the amendment as new matter. Specifically, the examiner stated:

> The original disclosure does not support the added material [deletions of "V" and insertion of a paragraph, etc.] because the added material sets forth folding a web in any manner known to one skilled in the art, with V-folding merely an example of such folding. The original disclosure supported only folding or V-folding. Further, the added material also sets forth **[*9]** other examples (cylindrical and oval) of folding a web. The original disclosure did not set forth any other examples of folding. . . . It is also not clear that a web which has been folded in a cylindrical or oval manner, had a fold (as claimed in the parent application 08/098,752, now U.S. Patent *5,440,860*).

Examiner's Office Action in Application Serial No. 08/482,862, at 3 (Jan, 9, 1997) (emphasis added). The trial court found that Schreiber's acquiescence by canceling the amendment amounted to disclaiming a broader interpretation of "folding" advanced. Based on these conclusions, the trial court specified that the folding step of claim 1 requires that (1) the front and rear sheet be joined by a fold at the bottom, such that (2) the V-fold approximates the letter "V" in cross section.

The district court erred by applying this restrictive definition of "folding" in its JMOL decision. Although barring Schreiber from inserting into the specification examples of "cylindrical and oval" folding, the examiner also stated that the original disclosure supported "folding or V-folding." In other words, the examiner found that the original disclosure supported a broader concept of "folding" as well as the more specific example of "V-folding." Moreover, the specification does not exclude other types of "folding" from the broader generic concept of "folding."

This court's precedent forbids a construction of claim terms that restricts claims beyond the limits in the claim terms themselves, or beyond any unambiguous restriction in the specification or prosecution history. *Laitram Corp. v. NEC Corp.*, 163 F.3d 1342, 1347, 49 USPQ2d 1199, 1203 (Fed. Cir. 1998) ("[A] court may not import limitations from the written description into the claims."); *Comark Communications, Inc. v. Harris Corp.*, 156 F.3d 1182, 1186, 48 USPQ2d 1001, 1005 (Fed. Cir. 1998) ("While . . . claims are to be interpreted in light of the specification, it does not follow that limitations from the specification may be read into the claims."); *In re Donaldson Co.*, 16 F.3d, 1189, 1195, 29 USPQ2d 1845, 1850 (Fed. Cir. 1994) ("General claim construction principle that limitations found only in the specification of a patent or patent application should not be imported or read into a claim."); *SRI Int'l v. Matsushita Elec. Corp.*, 775 F.2d 1107, 1121, 227 USPQ 577, 585 (Fed. Cir. 1985) (*en banc*) ("It is the claims that measure the invention.") (emphasis in original). Accordingly, this court does not limit the meaning of the term "folding" to only a "V fold."

The district court also erred in its construction of the term "continuous." The accepted meaning of "continuous" is: "marked by uninterrupted extension in space, time, or sequence." Webster's Ninth New Collegiate Dictionary at 284. Relying on this definition, the trial court construed "continuous slice" to mean a length of flattened food product without any interruptions. *Schreiber Foods*, 92 F. Supp. 2d at 860. The problem arises, however, in defining an interruption. To define "interruptions," the trial court again overemphasized the specification.[8] n3 Specifically, the

---

[8] The specification indicates that after passing through the cross-sealing station "the web now includes a plurality of

district court determined that "any creasing or cross-sealing across the width of the web of film and product, which pushes out some of the food product from that cleated or cross-sealed zone even if a thin layer of food product remains [] creates an interruption that results in separate or discontinuous slices or ribbons." *Schreiber Foods,* 92 F. Supp. 2d at 864 (emphasis added). This emphasis on "interruptions" impermissibly imported the limitation of "without any creases" into the term "continuous." The specification does not preclude any creases in a "continuous slice." Accordingly, this court reverses the district court's construction of the term "continuous."

Infringement

After claim construction, an infringement analysis compares the properly construed claim with the allegedly infringing devices. *Kemco Sales, Inc. v. Control Papers Co.*, 208 F.3d 1352, 1360, 54 USPQ2d 1308, 1312 (Fed. Cir. 2000). Infringement, either literally or under the doctrine of equivalents, does not compare the accused product "with a preferred embodiment described in the specification, or with a commercialized embodiment of the patentee." *SRI Int'l,* 775 F.2d at 1121; see also *Atlantic Thermoplastics Co.*, 974 F.2d at 1300. The comparison between the accused product and the properly construed claim is a question of fact. *Mas-Hamilton Group v. LaGard, Inc.,* 156 F.3d 1206, 1211, 48 USPQ2d 1010, 1014-15 (Fed.Cir.1998). This court reviews factual findings for clear error. *Id.*

---

slices of cheese," *id.* at col. 5 lines 29-30, and that the pressure exerted in the cross-sealing zones by opposing "jaws" "results in a slice of cheese to be defined between adjacent contacting zones of the web. . . . The slices of cheese are defined in the section between the jaws," *id.* at col. 8 lines 51-53, 58-59.

The accused Kustner machines inject liquid cheese into a plastic tube. In other words, the Kustner machine draws a web around a cylindrical structure to form a receptacle for the cheese. Without unduly limiting the term "folding," a reasonable jury could find that the Kustner machines folded the web together to receive the cheese. Thus, the jury's verdict is reasonable in light of a broader meaning of the term "folding" in the claims. In its JMOL, the district court erred in comparing the accused Kustner machines with the preferred embodiment of V-folding described in the specification rather than with the properly construed claim.

The Kustner machines are "hot crimp" machines. These accused machines make "creases" with cleated flattening belts that remove substantially all of the cheese in a sealing zone across the web. Nonetheless, a reasonable jury could find that the flattened cheese indeed produces a continuous slice. As discussed above, proper construction of the term "continuous" does not include the "without any creases" limitation. Hence, a reasonable jury could also find that the Kustner machines met the "continuous slice" limitation of the claims.

In the present case, despite the district court's erroneous construction of the disputed claim terms, a jury found that Kustner willfully infringed claims 1 and 2 of the *860* patent, and claims 14, 15, 18, 21, 24, and 25 of the *724* patent. *Schreiber Foods,* 92 F. Supp. 2d at 859 n.1. Accordingly, this court concludes that substantial evidence supports the jury's finding of infringement and remands to the district court to reinstate the jury verdict. "Because the jury found infringement under the trial court's more restricted reading of the claims, this court need not remand for an infringement determination according to this court's broader

claim interpretation." *Al-Site Corp. v. VSI Int'l, Inc.*, 174 F.3d 1308, 1323, 50 USPQ2d 1161, 1170 (Fed. Cir. 1999). Furthermore, because this court resolves the issues on appeal on the ground of literal infringement, this court need not reach the issue of infringement under the doctrine of equivalents.

Inequitable Conduct

"Applicants for patents, including their patent attorneys, are required to prosecute patent applications in the PTO with candor, good faith, and honesty." *Elk Corp. v. GAF Bldg. Materials Corp.*, 168 F.3d 28, 30, 49 USPQ2d 1853, 1855 (Fed. Cir. 1999) (quoting *Molins PLC v. Textron, Inc.*, 48 F.3d 1172, 1178, 33 USPQ2d 1823, 1827 (Fed. Cir. 1995)). A breach of this duty may constitute inequitable conduct and render a patent unenforceable. Id. To show inequitable conduct due to failure to disclose material information, the challenger must prove by clear and convincing evidence that: (1) the prior art was material; (2) knowledge -- chargeable to an applicant -- of the prior art and of its materiality; and (3) failure to disclose the prior art with an intent to mislead the PTO. Id. To meet the materiality requirement, a reference must necessarily be prior art. *Northern Telecom, Inc. v. Datapoint Corp.*, 908 F.2d 931, 940, 15 USPQ2d 1321, 1328 (Fed. Cir. 1990).

Kustner asserts that Schreiber, with the intent to deceive, withheld from the PTO material information concerning the Kustner KA machine. Kustner argues that the information could have invoked an on sale bar under § 102(b). To prove that the Kustner KA machine was on sale under 35 U.S.C. § 102(b) and therefore constituted material information, Kustner must demonstrate that "there was a definite sale or offer to sell more than one year before the application for the subject patent, and that the subject matter

of the sale or offer to sell fully anticipated the claimed invention or would have rendered the claimed invention obvious by its addition to the prior art." *UMC Elecs. Co. v. United States*, 816 F.2d 647, 656, 2 USPQ2d 1465, 1472 (Fed. Cir. 1987). Moreover, under § 102(b), a commercial offer for sale must be a formal offer under commercial contract principles with terms that can be accepted to form a contract. *Group One, Ltd. v. Hallmark Cards, Inc.*, 254 F.3d 1041, 1046, 59 USPQ2d 1121, 1126 (Fed. Cir. 2001).

Without any evidence of a formal offer, acceptance, contract, or bill of sale, the record does not show that the Kustner KA prototype was the subject of a commercial offer. Thus, Kustner did not prove by clear and convincing evidence that the Kustner KA machine was on sale in the United States before the critical date (June 5, 1988) or that Schreiber had knowledge of the same. Thus, the district court did not err in finding the materiality prong of the inequitable conduct inquiry was not met.

Kustner also urges this court to remand the case to the trial court because the Supreme Court's Pfaff opinion makes the district court's on sale bar jury instructions erroneous. *Pfaff v. Wells Elec., Inc.*, 525 U.S. 55, 48 USPQ2d 1641 (1998). In this case, however, even if the jury instructions were erroneous in light of Pfaff, the error would be harmless. In sum, the district court did not abuse its discretion in finding no inequitable conduct.

CONCLUSION

The district court erred in granting Kustner judgment as a matter of law and overturning the jury verdict. Because substantial evidence supports the jury's finding of infringement of Schreiber's two patents, this court reverses and remands to reinstate the jury's verdict. This court,

however, affirms the district court's finding of no inequitable conduct.

COSTS

Each party shall bear its own costs.

AFFIRMED-IN-PART, REVERSED-IN-PART, AND REMANDED

Dated: February 27, 2002 _____

Judge

Appendix C

UNITED STATES DISTRICT COURT FOR THE EASTERN DISTRICT OF WISCONSIN

92 F.Supp. 2d 857; LEXSEE 2000 U.S. Dist. LEXIS 4534

SCHREIBER FOODS, INC.,
Plaintiff,

v.

BEATRICE CHEESE, INC. and KUSTNER INDUSTRIES, S.A.,
Defendants.

Consolidated with

SCHREIBER FOODS, INC.
Plaintiff,

v.

GREAT LAKES CHEESE CO., INC., GREAT LAKES CHEESE OF LA CROSSE WISCONSIN, INC., and GREAT LAKES CHEESE OF WISCONSIN, INC.,
Defendants.

Case No. 97-C-11 consolidated with Case No. 97-C-566

March 30, 2000 Filed
March 30, 2000 Decided

OPINION BY: HON. LYNN ADELMAN
DECISION AND ORDER

In this patent infringement action, plaintiff Schreiber Foods, Inc. alleged that defendants Beatrice Cheese, Inc.; Kustner Industries, S.A.; and the three Great Lakes Cheese defendants infringed various claims of U.S. Patent Numbers 5,440,860 (the '860 patent) and 5,701,724 (the '724 patent). On August 24, 1998, a jury found defendants liable for willful infringement of all but one of the asserted claims.[9] Concurrent with the jury trial, I heard evidence regarding alleged inequitable conduct by plaintiff before the Patent Office, which is a matter to be decided by the court. During the trial, defendants orally moved for judgment as a matter of law (JMOL), arguing that: (1) there is no literal infringement of the disputed claims of the '860 and '724 patents; and (2) there is no infringement of the disputed claims under the doctrine of equivalents. I reserved decision on the motion. Additionally, regarding the court trial portion of the case defendants formally moved for judgment that plaintiff committed inequitable conduct, thereby rendering the '860 and '724 patents unenforceable. I reserved decision on this motion and took the bench trial issue under advisement.

After the verdict, defendants renewed their JMOL motion, arguing, *inter alia*, that prosecution history estoppel precludes a finding of infringement under the doctrine of equivalents. In an earlier decision and order, I concluded that prosecution history estoppel does not preclude such a finding. (Decision and Order of 10/26/99.) I now address defendants' remaining arguments as to literal infringement and infringement under the doctrine of equivalents. I also decide the inequitable conduct bench trial issue.

---

[9] The jury found that defendants infringed claims 1 and 2 of the '860 patent, and claims 14, 15, 18, 21, 24, and 25 of the '724 patent. Some were method claims, and others were apparatus claims.

I. BACKGROUND

The patents at issue are directed to machinery for packaging processed cheese in hermetically sealed individual slices, and methods associated therewith. In this case, whether defendants infringed literally or under the doctrine of equivalents turns upon only two limitations in the claims. Claim 1 of the '860 patent is representative, and reads in pertinent part:

> 1. A process for packaging a food item formed into a soft mass wherein the food is wrapped in individual slices comprising:
>
> folding a continuous web of heat-sealable thermoplastic material into folded condition including a fold . . .;[10]
>
> . . .
>
> after the food item is inserted, flattening the web to form a continuous slice of the food item disposed between front sheet and the rear sheet of the web[11] . . . .

'860 Patent, cl. 1 (emphasis added). Earlier, I construed the claim term "folding" to be synonymous with the "V-folding" language appearing in the specification of both patents. (Decision of 8/7/98 at 10.) According to the specification,

> the term V-folded condition refers to a length of material which has been folded over onto itself so as to form what may subsequently be identified as a front sheet and a

---

[10] Hereinafter, I refer to this step as the "folding step."

[11] Hereinafter, I refer to this step as the "continuous slice limitation."

rear sheet which are joined by the fold at the bottom, so as to approximate the letter "V" in cross section.

'860 Patent at col. 1 lines 28-33; '724 Patent at col. 1 lines 26-31. Additionally, I construed the claim term "continuous" to mean a length of flattened food product without any interruptions. (Decision of 8/7/98 at 8.)

The accused machines are known as the Kustner KE and KD individually-wrapped slice (IWS) machines. These machines' parent, the Kustner KA machine,[12]

II. JUDGMENT AS A MATTER OF LAW

A. Applicable Law

1. Judgment as a Matter of Law

Judgment as a matter of law may be granted against a party when "there is no legally sufficient evidentiary basis for a reasonable jury to find for that party on that issue." Fed. R. Civ. P. 50(a)(1). When a verdict is attacked based on legal insufficiency of the evidence, a court must decide "whether the evidence presented, combined with all reasonable inferences permissibly drawn therefrom, is sufficient to support the verdict when viewed in the light most favorable to the party against whom the motion is directed." *Emmel v. Coca-Cola Bottling Co.*, 95 F.3d 627, 629 (7th Cir. 1996). "The district court may not resolve any conflicts in the

---

[12] Plaintiff's infringement claims originally included the KA machine, but early in the trial, plaintiff removed this machine from the damages computation. (R. 171 at 60-61.) and another machine embodied in a 1959 prior art patent to Meissner, are central to defendants' charge of inequitable conduct against plaintiff.

testimony nor weigh the evidence, except to the extent of determining whether substantial evidence could support a jury verdict . . . ." *Lane v. Hardee's Food Sys., Inc.*, 184 F.3d 705, 707 (7th Cir. 1999). Substantial evidence is "such relevant evidence as reasonable minds might accept as adequate to support the verdict." *Harper House, Inc. v. Thomas Nelson, Inc.*, 889 F.2d 197, 208 (9th Cir. 1989).

"[A] motion [for judgment as a matter of law] shall specify the judgment sought and the law and the facts on which the moving party is entitled to the judgment." Fed. R. Civ. P. 50(a)(2). "The articulation is necessary to achieve the purpose of the requirement that the motion be made before the case is submitted to the jury, so that the responding party may seek to correct any overlooked deficiencies in the proof." Id. advisory committee notes 1991 amendment subdivision (a). When deciding whether the movant has complied with the rule, a court should not scrutinize an oral motion in isolation. Instead, "the communicative content, 'specificity' and notice-giving function of an assertion should be judged in context." *Acosta v. Honda Motor Co.*, 717 F.2d 828, 831-32 (3d Cir. 1983); see also *id.* at 832 ("This colloquy, coupled with the rest of the exchange that preceded the denial of the motion, leads us to conclude that, taken in context, defendants' motion was sufficiently specific to satisfy Rule 50.").

"If, for any reason, the court does not grant a motion for judgment as a matter of law made at the close of all the evidence, . . . the movant may renew its request for judgment as a matter of law by filing a motion . . . ." Fed. R. Civ. P. 50(b). The Seventh Circuit has rejected "a rigid interpretation of the requirements of Rule 50(b)." *Bonner v. Coughlin*, 657 F.2d 931, 939 (7th Cir. 1981). The application of Rule 50(b) should be considered in the context of both its particular

purpose and the overarching purpose of securing a fair trial for all litigants. *Id.*

2. Infringement

In an infringement analysis, a court construes the disputed claims, and the trier of fact compares the disputed claims to the accused device. *Cybor Corp. v. FAS Techs., Inc.,* 138 F.3d 1448, 1454 (Fed. Cir. 1998). Either literal infringement or infringement under the doctrine of equivalents must be proved.

"To prove literal infringement, the patentee must show that the accused device contains every limitation in the asserted claims. If even one limitation is missing or not met as claimed, there is no literal infringement." *Mas-Hamilton Group v. LaGard, Inc.,* 156 F.3d 1206, 1211 (Fed. Cir. 1998). "Judgment as a matter of law of no literal infringement is appropriate if no reasonable fact finder could determine that the accused devices meet every limitation of the properly construed claims." *Elkay Mfg. Co. v. EBCO Mfg. Co.,* 192 F.3d 973, 980 (Fed. Cir. 1999).

To prove infringement under the doctrine of equivalents, the patentee must show that the accused device contains every limitation or its equivalent in the asserted claims. *Warner-Jenkinson, Inc. v. Hilton Davis Chem. Co.,* 520 U.S. 17, 40, 137 L. Ed. 2d 146, 117 S. Ct. 1040 (1997). The doctrine of equivalents must be applied on an element-by-element basis. Id. An accused element is an equivalent if the accused element and associated claimed element are not "substantially different." *Id.* at 39-40. The tripartite function-way-result test has been approved by courts as a way for the trier of fact to determine equivalency: "If the 'function, way, or result' of the assertedly substitute structure is substantially different from that described by the claim limitation,

equivalence is not established." *Odetics, Inc. v. Storage Tech. Corp.*, 185 F.3d 1259, 1267 (Fed. Cir. 1999).

The "all-elements rule" is a legal limitation on the doctrine of equivalents. The Supreme Court has promulgated the rule as follows: "The application of the doctrine [of equivalents], even as to an individual element, is not allowed such broad play as to effectively eliminate that element in its entirety." *Warner-Jenkinson*, 520 U.S. at 29. Grounded in the notice and definitional function of the claims, the all-elements rule prevents a patentee who claims far too narrowly from later ensnaring a competitor's product via the doctrine of equivalents. It is fundamentally unfair for a competitor who reasonably relies on the patentee's narrow claims to later become liable for patent infringement. "As between the patentee who had a clear opportunity to negotiate broader claims but did not do so, and the public at large, it is the patentee who must bear the cost of its failure to seek protection . . . ." *Sage Products, Inc. v. Devon Indus., Inc.*, 126 F.3d 1420, 1425 (Fed. Cir. 1997).

B. Analysis

1. Literal Infringement

Defendants argue that there is no substantial evidence to support a jury verdict of literal infringement as to both the folding step and continuous slice limitation. Plaintiff does not attack defendants' arguments in to, but only as to the folding step of the claims. By this tack, plaintiff apparently concurs with defendants that the continuous slice limitation is not literally met by the accused machine, and thus plaintiff can rely only on the doctrine of equivalents for that element. Since infringement is an elemental inquiry, I of course consider whether the accused device literally meets the folding step. Accordingly, I inquire whether no reasonable jury could determine that defendants' accused method and apparatus, as embodied in the Kustner KE and KD machines, respectively contain each and every element of plaintiff's claimed method and apparatus.

It is evident from the record that plaintiff failed to present substantial evidence to support a finding of literal infringement.[13]

---

[13] The jury was not specifically asked to find whether plaintiff proved literal infringement. Instead, the special verdict question reads, "Do you find that plaintiff Schreiber Foods, Inc. proved by a preponderance of the evidence infringement of claims 1 or 2 of the '860 patent?" (R. 181 at 1.) I instructed the jury on both literal infringement and infringement under the doctrine of equivalents. Since findings of literal infringement and infringement under the doctrine of equivalents are subsumed within the special verdict question, and the jury's finding as to each issue cannot be known, I address them in turn.

Per this court's claim interpretation, the folding step of plaintiff's claims requires that (1) the front and rear sheet of the V-fold be joined by a fold at the bottom, such that (2) the V-fold approximates the letter "V" in cross section. In its direct and cross-examination of witnesses, plaintiff attempted but failed to elicit the fact that the web used by the accused machines includes a fold at the bottom. (See, e.g., R. 185 at 137 ("Q. Did you find that the operation of the Kustner machine in terms of folding to be exactly the same as this language if it requires a fold that approximates the letter V? Q. Well, it's not exact . . . ."); R. 177 at 131 ("What you have drawn at the bottom, I would call a V. I would not say that the one drawn around the oval tube approximates a V. I would say it approximates a U.").) In its brief countering defendants' JMOL motion, plaintiff sidesteps this obvious lacuna in its case-in-chief. If accepted as substantial evidence of literal infringement, the evidence cited by plaintiff would effectively read out of the claim the requirement of the specification that the V-fold contain a fold.

Defendants quote a crucial portion of their cross-examination of plaintiff's lead inventor: "Q: All right. Kustner does not use your concept of V-fold, does it? A. No." (R. 185 at 47.) This statement is tantamount to a concession by plaintiff that defendants have not literally infringed the patents at issue. Plaintiff does not respond, but instead argues for a broader claim construction.

Plaintiff argues that the Kustner machine literally infringes plaintiff's claimed invention because Kustner "approximates" a V-fold. Underlying plaintiff's argument is its assumption that a V-fold without a fold at the bottom "approximates" a V-fold. Plaintiff quotes the jury instruction that defined folding as "creating a V-fold" and that defined V-fold as a "fold created when a length of material has been folded over onto itself . . . to form . . . a front sheet and a rear

sheet which are joined by the fold at the bottom, so as to approximate the letter 'V' in cross section." (R. 167 at 10.) In a footnote, plaintiff suggests

> that a "v-fold" cannot be interpreted to be limited to a creased "v" shape, since that would read the term "approximate" right out of the definition of "v-fold" given in the patent specification and found by the Court in its Markman decision. Accordingly, Schreiber submits that the jury could quite properly have found that a fold in a "U" shape is a "v-fold" since such a fold approximates the letter "v" in cross-section.

(R. 195 at 5 n.3.) According to plaintiff, although Kustner does not contain a fold or crease between the front and rear sheets, its "U" shape "approximates" the letter "V" in cross section.

However, plaintiff's construction of "approximates" is flawed, for it misapplies the definition of "V-fold," ultimately reading the term "fold" out of the definition. Indeed, the definition requires that a front sheet and a rear sheet be joined by a fold at the bottom. And according to the definition, the resulting shape must approximate the letter "V" in cross section. Bearing in mind these requirements, it is evident that a "U" shape without a crease does not literally infringe the V-fold claimed by plaintiff. Although a "U" shape may approximate a "V" shape in cross-section, a "U" shape does not contain the required fold between a front and rear sheet.

Nor do other portions of the specification support plaintiff's broad interpretation of "approximates." The specification states that:

> the web is typically folded such that the rear sheet is longer than the front sheet to define a flap section in the rear sheet, which extends beyond the top edge of the front sheet. The flap section is typically folded over onto the front sheet to form a tubular web.

'860 Patent at col. 1 lines 33-37; '724 Patent at col. 1 lines 32-37. The implication of this passage is that a V-fold "approximates" the letter "V" because, unlike the letter "V," the sides of a "V-fold" are not of equal length. Because plaintiff's proffered interpretation -- that "approximates" literally encompasses "U"-shaped folds -- is not supported by the specification of the patents at issue, the "written description" requirement of 35 U.S.C. § 112 prevents plaintiff's claims from being so interpreted. See *Vas-Cath v. Mahurkar*, 935 F.2d 1555, 1563-64 (Fed. Cir. 1991).

Accordingly, I conclude that no reasonable jury could determine that the Kustner machine meets the folding step of the asserted claims. Therefore, the Kustner machine does not contain each and every limitation of the claimed invention, and defendants' JMOL motion as to literal infringement must be granted.

2. Infringement Under the Doctrine of Equivalents

Defendants next argue that judgment as a matter of law as to noninfringement under the doctrine of equivalents must be granted. Specifically, defendants assert that: (1) no reasonable jury could find that the differences between the claimed invention and the accused products and processes are insubstantial; and (2) the all-elements rule bars plaintiff's claim of equivalence.

In response, plaintiff argues that substantial evidence was presented to support the jury's finding of infringement under the doctrine of equivalents. In addition, plaintiff argues that defendants waived their right to bring a renewed JMOL motion on the all-elements rule since they never previously made one on this issue.

a. Substantial Evidence

Defendants contend that no reasonable jury could find that the differences between the claimed invention and the accused products and processes are insubstantial. Defendants' contentions are directed to the continuous slice limitation and folding step of the asserted claims.[14]

To prove equivalency, plaintiff proceeded under the function-way-result test. Therefore, I inquire whether a reasonable jury could find that plaintiff proved by a preponderance of the evidence that the patented and accused structures perform substantially the same function in substantially the same way to achieve substantially the same result. Plaintiff properly notes that "no specific formulation of evidence and argument is required." *National Presto Indus., Inc. v. West Bend Co.*, 76 F.3d 1185, 1191 (Fed. Cir. 1996).

i. Continuous Slice Limitation

The continuous slice limitation requires "flattening the web to form a continuous slice of the food item disposed between front sheet and rear sheet of the web." '860 Patent, cl. 1. This court has defined

> "continuous" . . . to mean a length of flattened food product without any

---

[14] Plaintiff's presentation of the evidence at trial focused largely on the '860 patent. Thereafter, plaintiff incorporated "the same reasons that we discussed before," (R. 185 at 152), to support its contention that the asserted claims of the '724 patent were infringed by the accused device. In similar fashion, I direct my discussion to the '860 patent, and apply my conclusions to the '724 patent where appropriate.

> interruptions. "Flatten[]" means [to make flat or flatter]. Any creasing or cross-sealing across the width of the web of film and product, which pushes out some of the food product from that cleated or cross-sealed zone even if a thin layer of food product remains (such as the result from the cleats or jaws indicated in the Bush patent) creates an interruption that results in separate or discontinuous slices or ribbons.

(Decision of 8/7/98 at 8, as amended in oral order of 8/17/98).

The "function" of the continuous slice limitation is a flattening operation that produces a continuous slice of cheese, thereby preparing the cheese for subsequent cross-sealing and the consequent creation of individual slices. '860 Patent, cl. 1. At trial, with respect to the '860 patent, plaintiff's expert, George Schroeder[15], n7 agreed that he found the "operation" of the '860 patent in the accused device. (R. 185 at 142.) Comparing the patented and accused devices, he stated that "I believe it's an insubstantial difference . . . because most of the material coming out of the flattening belts is in a flattened position." (R. 185 at 143.) Further, flattening and "beginning the formation of individual slices" occurs. (R. 185 at 144.) Because it relates to

---

[15] Throughout trial, and in their brief, defendants make much of their belief that Schroeder is not qualified to provide expert testimony on equivalency. That is a moot issue now, as I ultimately admitted his testimony at trial even after challenge by defendants. For purposes of defendants' JMOL motion, I assume that the jury accepted the veracity of Schroeder's testimony and drew all permissible inferences therefrom in favor of plaintiff.

"flattening," a reasonable jury could have interpreted Schroeder's testimony as encapsulating the "function" prong of the function-way-result test. Therefore, a reasonable jury could have found that plaintiff proved the "function" prong of the test.

The "way" in which the patented invention achieves result is described in the specification of both patents. Each specification states:

The flattening station 22 includes a first or upper set of juxtaposed rollers 32, a lower set of Juxtaposed rollers 34, and a pair of opposed belts 30. Each belt 30 is disposed around one set of rollers 32, 34. As the web with the cheese inserted therein passes between the two belts, the cheese is flattened to form a web comprising the tubular thermoplastic film and a continuous slice of cheese.

'860 Patent at col. 6 lines 33-42; '724 Patent at col. 6 lines 21-28. Thus, opposed belts are employed in the patented invention. In the accused machine, flattening belts with cleats perform the flattening function. (R. 185 at 142.)

With respect to the '860 patent, Schroeder did not specifically testify that the difference between the "way" employed by the claimed and accused devices was insubstantial. In fact, plaintiff's attorney did not inquire as to insubstantiality of differences in "way." Instead, plaintiff apparently relied solely on interchangeability to supply proof of the "way" prong. In the Bush prior art patent, U.S. Patent No. 3,542,570 (Bush), issued in 1970, the specification states that:

If desirable, the advancing mechanism may also "preform" the tube into discrete packets 51 by pinching the tube together at longitudinally spaced intervals. This may be

accomplished by adding a plurality of cleats 52 on each belt 48 arranged so that a pair of cleats, one on each belt, come into engagement with each other to pinch the tube 28 together (see FIG. 3).

Bush Patent at col. 3 lines 64-70. According to Schroeder:

> A. It appears that either technique [the absence or use of cleats] could be used in the Bush patent to manufacture single slice cheese packages made on the Bush machine. In the first case without the cleats, they are using the flattening belts to in fact make a ribbon of material but also drive the mechanism, drive the material through the machine. The cleats are added at option in order to initiate the removal of cheese in the area where they make the cheese seal.
>
> Q. Does this support your view, Mr. Schroeder, that the use of a ribbon of cheese that has some slight indentations is interchangeable with the technology where the ribbon of cheese has a continuous or uniform cross section?
>
> A. Yes, it is.

(R. 185 at 145.) In other words, the Bush patent teaches that cleats may or may not be used in Bush-type packaging machines. By implication, Bush teaches that either discontinuous or continuous slices may be formed during the packaging process. In view of this evidence, a reasonable jury could have found insubstantial differences in the "way" prong of the function-way-result test.

The result of the continuous slice limitation is a flat, continuous slice without indentations or interruptions. (See Decision of 8/7/98 at 8.) In the accused device, the result of the corresponding step is a flat ribbon of cheese with indentations. (R. 185 at 142.) As with the "way" prong, Schroeder did not provide particularized testimony as to the "result" prong. However, as noted ante, he testified that "I believe it's an insubstantial difference . . . because most of the material coming out of the flattening belts is in a flattened position." (R. 185 at 143.) A reasonable jury could have found that an opinion as to the "result" prong was subsumed within Schroeder's opinion.[16] n8 Furthermore, the above-noted evidence of interchangeability buttresses plaintiff's argument that the differences between the results obtained by the claimed and accused devices are insubstantial.[17]

---

[16] Opinions as to both the "function" and "result" prongs of the tripartite test may reasonably be divined in Schroeder's single statement. The reason is that in the context of the continuous slice limitation, the reference to result ("flattened position") necessarily implies a reference to function (flattening). Of course, in other contexts, function and result may not be describable with like terms, and a reasonable jury could not find "insubstantiality" as to multiple prongs of the tripartite test on the mere basis of a conclusory statement attesting to "insubstantiality."

[17] It is true that "the known interchangeability of the accused and claimed elements is potent evidence that one of ordinary skill in the art would have considered the change insubstantial." *Hilton Davis Chem. Co. v. Warner-Jenkinson Co.*, 62 F.3d 1512, 1519 (Fed. Cir. 1995), rev'd on other grounds, 520 U.S. 17, 137 L. Ed. 2d 146, 117 S. Ct. 1040 (1997). Therefore, plaintiff's appeal to known interchangeability supports its infringement theory.

ii. Folding Step

The folding step in the '860 patent requires "folding a continuous web of heat-sealable thermoplastic material into folded condition including a fold." '860 Patent, cl. 1. As noted above, I have construed "folded condition" as "referring to a length of material which has been folded over onto itself so as to form what may subsequently be identified as a front sheet and a rear sheet which are joined by the fold at the bottom, so as to approximate the letter 'V' in cross section." '860 Patent at col. 1 lines 28-33; '724 Patent at col. 1 lines 26-31.

Plaintiff characterizes the function of the folding step as a forming operation. That characterization finds support in the asserted claims. Via the folding step, a continuous web is folded such as to leave an open longitudinal side. After the folding step, the open longitudinal side of the web is sealed "to define a continuous tubular web." '860 Patent, cl. 1. Plaintiff presented evidence that its patented invention and the accused product have substantially the same function. Specifically, Schroeder testified that: "The intent in both cases is trying to form a tube that subsequently can be longitudinally sealed and affect [sic] a hermetic package and at the same time provide an opening feature. Both processes do functionally the same thing." (R. 185 at 137-38 (emphasis added).) Although plaintiff's "folded condition" contains a crease, and the accused products and processes do not, a reasonable jury, in view of Schroeder's testimony, could find that, with respect to function, the differences are insubstantial.

Relative to the "way" employed in the folding step, the '860 patent states that "the tubular web of thermoplastic material is formed by providing a continuous film or web of thermoplastic material and folding the web into V-folded

condition, in a manner known in the art." '860 Patent at col. 4 lines 51-54 (emphasis added). Schroeder testified that the web is "brought around a forming collar" to achieve folding of the web. (R. 185 at 119-20).

The evidence adduced at trial was sufficient to support the jury's finding of equivalence as to "way." First, as between the lap seal of the accused machine and the fin seal of the claimed invention, Schroeder testified that:

> Q. Is there any reason you know of people of ordinary skill in the art in the 1980s wouldn't appreciate that these two technologies are interchangeable?
>
> A. That's correct. Most packaging machinery companies have the option of going either way.

(R. 185 at 140.) David Shaft, a co-inventor, also testified that "the lap seal and fin seal are interchangeable." (R. 185 at 101.) Defendants' expert, Joseph Hotchkiss, testified that a forming collar was employed during the forming operation in the accused machine. (R. 177 at 23.) Although Hotchkiss opined that these two ways are substantially different, (R. 177 at 26), the jury was entitled to reject his opinion in lieu of Schroeder's and Shaft's testimony.[18]

---

[18] In their JMOL brief, defendants submit that:

> Obviously, if different process steps lead to results which are "fundamentally different" (fin versus lap seals), one of which is a "substantial improvement" over the other, the differences between those process steps cannot be deemed

Claim 1 of the '860 patent indicates that the result of the folding step is a plastic material in "folded condition including a fold, a folded longitudinal first side and an open longitudinal second side, the web on one side of the fold defining a front sheet and the web on the other side of the fold defining a rear sheet." '860 Patent, cl. 1. When this result is successfully achieved, longitudinal sealing of the web and insertion of cheese into the tube may subsequently occur. *Id.*

Upon hearing the evidence at trial, a reasonable jury could have found that the difference between the "result" obtained in the patented machine and that obtained in the accused machine is insubstantial. However, the evidence is barely enough to support such a finding. In support of his conclusory statement that "the end product is substantially the same," (R. 185 at 137), Schroeder stated that "the intent in both cases is trying to form a tube that subsequently can be longitudinally sealed and affect [sic] a hermetic package and at the same time provide an opening feature." (Id. at 137-38.) Although it is faithful to the broad claim language of the asserted patents, the second statement lacks much specificity. In particular, Schroeder did not expressly compare the specific result of the patented invention -- a fold with a crease -- with that of the accused product and process -- a fold without a crease. Nevertheless, in view of Schroeder's and Shaft's testimony that fin seal and lap seal technologies are

---

"insubstantial," as the standard for determining equivalence requires.

(R. 188 at 28.) I decline to endorse this proposition. In certain technological contexts, an insubstantial variation between process steps may in fact produce a substantial variation in outcomes.

interchangeable, a reasonable jury could have found insubstantial differences with respect to the result of the folding step.

iii. Conclusion

Therefore, I conclude that a reasonable jury could have found that, with respect to the function, way, and result of both the continuous slice limitation and the folding step, the differences between the claimed and accused devices are insubstantial. However, I underscore that in at least one respect, the evidence is barely enough to support the finding. In any event, I now explore whether defendants' all-elements rule arguments are waived, and, if not, whether the all-elements rule precludes a finding of infringement under the doctrine of equivalents.

b. All-Elements Rule

i. Waiver Argument

Defendants orally moved for judgment as a matter of law at the close of plaintiff's case-in-chief. Defendants described two of their motions as (1) "judgment as a matter of law there's no infringement of any of the claims of the '860 patent under the doctrine of equivalents;" and (2) "judgment as a matter of law that there's no infringement of the '724 patent under the doctrine of equivalents." (R. 171 at 84-85.) When defendants made these initial motions, and when they renewed these motions after the close of plaintiff's case-in-chief, (R. 177 at 218), defendants did not specifically note the all-elements rule as a basis for judgment in their favor. Following the verdict, in their JMOL brief, defendants for the first time expressly argued that plaintiff's theory of equivalence effectively eliminates both the folding step and continuous slice limitation, (R. 188 at 22-26), and thus that plaintiff's equivalence claim is barred by the all-elements rule. Plaintiff contends that defendants waived their all-elements rule argument by not previously raising it before or during trial.

As stated earlier, the specificity or notice-giving function of a JMOL motion must be judged in context. *Acosta*, 717 F.2d at 831-32. The Supreme Court has made clear the connection between equivalency -- a factual question for the trier of fact -- and two "legal limitations" on the doctrine of equivalents, namely, prosecution history estoppel and the all-elements rule. In *Warner-Jenkinson*, the Court set forth specific instructions for district court judges:

Where the evidence is such that no reasonable jury could determine two elements to be equivalent, district courts are obliged to grant partial or complete summary judgment. .

. . Of course, the various legal limitations on the application of the doctrine of equivalents are to be determined by the court, either on a pretrial motion for partial summary judgment or on a motion for judgment as a matter of law at the close of the evidence and after the jury verdict. Thus, under the particular facts of a case, if prosecution history estoppel would apply or if a theory of equivalence would entirely vitiate a particular claim element, partial or complete judgment should be rendered by the court, as there would be no further material issue for the jury to resolve.

Warner-Jenkinson, 520 U.S. at 38 n.8 (citations omitted) (emphasis added). The Court's instructions are clear. When a party makes "a motion for judgment as a matter of law [as to noninfringement under the doctrine of equivalents] at the close of the evidence and after the jury verdict," id., the judge must determine whether the all-elements rule precludes a finding of infringement under the doctrine of equivalents.[19]

Here, defendants moved for judgment as a matter of law as to noninfringement under the doctrine of equivalents. This motion was sufficient to raise the applicability of the all-elements rule. Requiring that a defendant make two discrete Rule 50 motions -- one based on substantiality of the evidence, and another based on the all-elements rule -- and holding that failure to make the latter motion constitutes a waiver would not only lead to unjust results in patent litigation but would prevent a court from performing its function as required by Warner-Jenkinson. In particular, in cases in which substantial evidence supported a finding of

---

[19] The other legal limitation on the doctrine of equivalents, prosecution history estoppel, was briefed extensively by both parties. I decided that no estoppel arose from the prosecution history of the asserted patents. (See Decision and Order of 10/26/99.)

equivalency as to the function, way, and result prongs of the tripartite test, but where a plaintiff's theory of equivalence vitiated a claim element, the plaintiff could "prove" infringement absent legal infringement if the defendant did not sufficiently specify that its JMOL motion as to noninfringement was directed to the all-elements rule. In effect, waiver would prevent a court from exercising its role as the sole arbiter of legal limitations on the doctrine of equivalents.

Additionally, the Seventh Circuit counsels me to reject "a rigid interpretation of the requirements of Rule 50(b)." *Bonner,* 657 F.2d at 939. As the advisory committee notes on Rule 50 indicate, the requirement of specific articulated grounds for a JMOL motion is so that the responding party may correct overlooked deficiencies in proof. See Fed. R. Civ. P. 50 advisory committee notes 1991 amendment subdivision (a). Here, defendants' JMOL motion with respect to noninfringement under the doctrine of equivalents put plaintiff on notice of the equivalence issue and the legal limitation on the doctrine's application. Plaintiff was not prejudiced in any way in connection with its ability to present proof or argument to the jury.

Rule 50 is designed to flush out arguments so that errors may be prevented without the need for appellate intervention. *Urso v. United States,* 72 F.3d 59, 61 (7th Cir. 1995). Arguments relating to the doctrine of equivalents and to the legal limitations on its application were sufficiently "presented to the district court, so the function of Rule 50 has been served." Id. Finally, waiver is one means by which a legal forfeiture may occur. See *Freytag v. Commissioner of Internal Revenue,* 501 U.S. 868, 894 n.2, 111 S. Ct. 2631, 115 L. Ed. 2d 764 (1991) (Scalia, J., concurring). Forfeitures are never favored; equity always leans against them. See *Advanced Cardiovascular Sys., Inc. v. SciMed Life Sys., Inc.,*

988 F.2d 1157, 1163 (Fed. Cir. 1993) (discussing laches). Neither a waiver nor a forfeiture occurred here.

Accordingly, defendants did not waive noninfringement arguments grounded in the all-elements rule and it is my role to determine whether, based on either substantiality of the evidence or the all-elements rule, defendants' motion must be granted.

iii. Application of the All-Elements Rule

Defendants argue that plaintiff's theory of equivalence "effectively eliminates" both the continuous slice limitation and folding step of the '860 and '724 patent claims. Plaintiff disagrees.

As noted above, the all-elements rule is a question for the court.[20] *Warner-Jenkinson,* 520 U.S. at 38 n.8. As

---

[20] The jury instruction relating to equivalency read as follows:

> You may find that defendants' product or method infringes a claim of plaintiff's patent, even if not every element or step of that claim is present in defendants' machines or method. However, to do so, you must find that there is an equivalent component, part or method step in defendants' machines or method for each element or step of the patent claim that is not literally present in the defendants' machines or method.

(R. 167 at 12 (emphasis added).) Citing this instruction, plaintiff asserts that "the jury decided the 'all-

promulgated by the Supreme Court and developed by the Federal Circuit, the rule proscribes equivalence theories that vitiate claim elements. Id.; see also *Overhead Door Corp. v. Chamberlain Group, Inc.*, 194 F.3d 1261, 1271 (Fed. Cir. 1999). "For a patentee who has claimed an invention narrowly, there may not be infringement under the doctrine of equivalents in many cases, even though the patentee might have been able to claim more broadly. If it were otherwise, then claims would be reduced to functional abstracts, devoid of meaningful structural limitations on which the public could rely." *Sage Prods.*, 126 F.3d at 1424.

In Sage Products, the claims at issue were directed to a disposal container. The independent claim at issue recited, *inter alia*, the two elements of "an elongated slot at the top of the container body" and "a first constriction extending over said slot." *Id.* at 1422. The accused device contained a slot within the container body, and plaintiff argued that "having two constrictions below the top of the container [in the accused device] is the same, for purposes of infringement, as having one constriction above and one constriction below [as claimed]." *Id.* at 1422-23.

Declaring that "the doctrine of equivalents does not grant [the plaintiff] license to remove entirely the 'top of the container' and 'over said slot' limitations from the claim," the Federal Circuit held that the defendant did not infringe the asserted patent. *Id.* at 1424, 1426. It reasoned that:

---

elements' rule." (R. 195 at 16-17.) I disagree. This instruction merely told the jury that the doctrine of equivalents must be applied by the jury on an element-by-element basis. It did not permit the jury to decide the legal question of the all-elements rule.

> The claim at issue defines a relatively simple structural device. A skilled patent drafter would foresee the limiting potential of the "over said slot" limitation. No subtlety of language or complexity of the technology, nor any subsequent change in the state of the art, such as later-developed technology, obfuscated the significance of this limitation at the time of its incorporation into the claim. If Sage desired broad patent protection for any container that performed a function similar to its claimed container, it could have sought claims with fewer structural encumbrances.

Id. at 1425 (citations and footnotes omitted). In a subsequent decision, the Federal Circuit explained that:

> the proposed application of the doctrine in Sage Products would have utterly written out of the claim not one, but at least two (maybe more) express limitations of the claim. Indeed under Sage Products' equivalents theory, a finding of equivalents for one limitation ("at the top") would necessarily require writing out of the claim another limitation ("over said slot"). No matter how the patentee purported to apply the claim to the accused device under the doctrine, the device was always missing at least one limitation. Thus, the claim language specifically negated the patentee's equivalence theory.

Overhead Door, 194 F.3d at 1271.

At trial, plaintiff presented and relied on evidence of known interchangeability. Specifically, it was known in the prior art that (1) belts with cleats are interchangeable with those without cleats; and that (2) lap seals are interchangeable with fin seals. Plaintiff offered this evidence in order to show that (1) a continuous slice, as claimed, is equivalent to a discontinuous slice, as embodied in the Kustner machines;[21] and that (2) the claimed method of folding, which involves V-folding, is equivalent to the method of forming a lap seal embodied in the Kustner machines.

But unlike the Bush patent, plaintiff's patents do not mention interchangeable cleated or uncleated belts, and

---

[21] Earlier, I construed the term continuous to mean "a length of flattened food product without any interruptions." (Decision of 8/7/98 at 8). If a ribbon of cheese contains any interruptions, the ribbon is discontinuous. (Id.) I specifically stated that

> any creasing or cross-sealing across the width of the web of film and product, which pushes out some of the food product from that cleated or cross-sealed zone even if a thin layer of food product remains (such as the result from the cleats or jaws indicated in the Bush patent) creates an interruption that results in separate or discontinuous slices or ribbons.

(Id.) Under my definition and as conceded by plaintiff through its lack of argument on the literal infringement question regarding this element, the Kustner machine creates discontinuous slices by pushing out the food product from the cross-sealing zones.

instead -- distinguishing themselves from Bush -- add the words "continuous slice." I must assume that "continuous slice" has some meaning, or else the drafters would not have used it. The drafters could have used broader language -- using something like "a length of flattened food item or items" instead -- and incorporated language into the specification indicating that cleats might or might not be used. They did not. Instead, plaintiff drafted claims of limited scope, claiming now that the doctrine of equivalents encompasses what plaintiff was arguably entitled to claim -- but did not claim. Therefore, like Sage Products, "no subtlety of language or complexity of the technology, nor any subsequent change in the state of the art, such as later-developed technology, obfuscated the significance of this [continuous slice] limitation at the time of its incorporation into the claim." *Sage Prods.*, 126 F.3d at 1425.

Similarly, the patent drafters prepared apparatus and method claims that employ a specific type of folding -- V-folding. Indeed, original claim 1 of the '860 patent application contained the terms "V-folded condition" and "V-fold." Though the "V-" in these terms was deleted during prosecution, such deletions cannot circumvent the "written description" requirement of 35 U.S.C. § 112, which requires that an applicant be "in possession" of the claimed invention as of the filing date. (Decision and Order of 10/26/99.) In view of intrinsic evidence, I concluded, when construing the claim term "folding," that the specification of the '860 patent supports only V-folding. (Decision of 8/7/98 at 10-12.) Now, having heard plaintiff's own evidence that lap seals were in the prior art at the time the parent application was filed, I conclude that plaintiff could have disclosed in the specification that folding might also be effectuated by specific prior art methods of forming lap seals. Plaintiff did not. The deficiency of its claims is further highlighted by plaintiff's unsuccessful attempts to amend the specification

with language which appears to imply that V-folding was simply a preferred embodiment of "folding." Again, like Sage Products, "no subtlety of language or complexity of the technology, nor any subsequent change in the state of the art, such as later-developed technology, obfuscated the significance of this [folding] limitation at the time of its incorporation into the claim." *Sage Prods.,* 126 F.3d at 1425.

Like the theory of equivalence advanced in Sage Products, plaintiff's theory of equivalence effectively eliminates two clear limitations in the claims: (1) the requirement in the claims and specification that the slice be "continuous;" and (2) the requirement that only "V-folding" falls within the metes and bounds of the claimed invention.[22]

---

[22] In my earlier decision and order relating to prosecution estoppel, I stated that:

> At most, a reasonable competitor studying the new matter rejection in the prosecution history would conclude that the claimed invention only reads on embodiments that include V-folding. A reasonable competitor would not conclude that plaintiff surrendered equivalents of "V-folding."
>
> (Decision of 10/26/99 at 11.) In that context, at issue was one legal limitation on the doctrine of equivalents, prosecution history estoppel. Here, at issue is the other legal limitation, the all-elements rule. To say that plaintiff did not clearly and unmistakably surrender equivalents of V-folding during prosecution before the Patent Office is merely to say that plaintiff, when arguing infringement at trial, is free to argue that

Defendants were entitled to rely on the clear structural limitations of the '860 and '724 patents, and should not be held accountable for placing reliance thereon.

Accordingly, because the claim language of the '860 and '724 patents "specifically negates" plaintiff's equivalence theory, see *Overhead Door,* 194 F.3d at 1271, I hold that the all-elements rule bars a finding of infringement under the doctrine of equivalents.

III. INEQUITABLE CONDUCT

Notwithstanding my conclusion that the all-elements rule bars a finding of infringement under the doctrine of equivalents, I now set forth my findings of fact and conclusions of law on the inequitable conduct bench trial issue.

A. Applicable Law

"Each individual associated with the filing and prosecution of a patent application has a duty of candor and good faith in dealing with the [Patent] Office, which includes a duty to disclose to the Office all information known to that individual to be material to patentability as defined in this section." 37 C.F.R. § 1.56. "Applicants for patents, including their patent attorneys, are required to prosecute patent

---

other types of folding are equivalent to V-folding. It is not to say that the all-elements rule never limits what types of folding legally constitute equivalents. In other words, prosecution history estoppel estops a patentee from making certain equivalency arguments, and the all-elements rule addresses equivalency arguments on their merits.

applications in the PTO with candor, good faith, and honesty." *Elk Corp. v. GAF Bldg. Materials Corp.*, 168 F.3d 28, 30 (Fed. Cir. 1999). Failure to do so may give rise to a charge of inequitable conduct. Id. A determination of inequitable conduct represents the ultimate sanction against a patentee -- unenforceability of his patent. *Akron Polymer Container Corp. v. Exxel Container, Inc.*, 148 F.3d 1380, 1383 (Fed. Cir. 1998).

To prove inequitable conduct, the party asserting the defense must prove by clear and convincing evidence that (1) material information known to an applicant in the applicant group was withheld from the Patent Office; and (2) the failure to disclose resulted from an intent to deceive the Patent Office. *Elk Corp.*, 168 F.3d at 30. As a preliminary matter, a threshold level of both materiality and intent must be established. *Baxter Int'l, Inc. v. McGaw, Inc.*, 149 F.3d 1321, 1327 (Fed. Cir. 1998). If established, the court must then weigh materiality and intent. "The more material the omission, the less evidence of intent will be required in order to find that inequitable conduct has occurred." *Id.* Finally, the court must adjudge whether the applicant's conduct is so culpable as to warrant a determination that the patent is unenforceable. *Id.* Absent a showing of the requisite materiality and intent, the defense fails as a matter of law.

Although material information most often falls neatly within the rubric of "prior art," it need not always do so. Materiality includes "'any information that a reasonable examiner would substantially likely consider important in deciding whether to allow an application to issue as a patent.'" *Akron Polymer*, 148 F.3d at 1382 (quoting *Akron Polymer Container Corp. v. Exxel Container, Inc.*, 1995 U.S. App. LEXIS 29755, Nos. 95-1023, 95-1035, 1995 WL 620148, at *5 (Fed. Cir. Oct. 20, 1995)). Assuming that the Patent Office is not aware of it,

> information is material to patentability when it is not cumulative to information already of record or being made of record in the application, and (1) it establishes, by itself or in combination with other information, a prima facie case of unpatentability of a claim; or (2) it refutes, or is inconsistent with, a position the applicant takes in . . . asserting an argument of patentability.

37 C.F.R. § 1.56.

Intent need not be proven by direct evidence, but may be inferred from clear and convincing evidence of the surrounding circumstances. *LaBounty Mfg., Inc. v. United States Int'l Trade Comm'n*, 958 F.2d 1066, 1076 (Fed. Cir. 1992). "Close cases should be resolved by disclosure, not unilaterally by the applicant." Id.

B. Applicant Group

The duty of disclosure extends to:

(1) Each inventor named in the application;

(2) Each attorney or agent who prepares or prosecutes the application; and

(3) Every other person who is substantively involved in the preparation or prosecution of the application and who is associated with the inventor, with the assignee or with anyone to whom there is an obligation to assign the application.

37 C.F.R § 1.56(c).

As applied to plaintiff, the duty of disclosure extends to an applicant group comprising inventors Vincent Meli, Michael Matharani, Ted Brzezinski, Shaft, and James Urmanski; patent attorneys Gus Siller and Michael Mazza[23]; n15 and director of engineering Mark Peterson, (see R. 191 Ex. 19). No conclusive evidence was proffered at trial that plaintiff's executives were substantively involved in the preparation or prosecution of the applications that respectively issued as the '860 and '724 patents.

C. Kustner KA Machine

Defendants argue that plaintiff, with the intent to deceive, withheld from the Patent Office material information concerning the Kustner KA machine.

1. Materiality

According to defendants, the information was material because it is substantially likely that a reasonable examiner would have considered the information important. Specifically, defendants contend that the information establishes a prima facie case of unpatentability of the asserted claims under: (1) 35 U.S.C. § 102(b); (2) § 102(a); and (3) § 102(f). (R. 189 at 18.) I now assess whether

---

[23] Attorney Siller prosecuted the '860 patent application, and Attorney Mazza prosecuted the '724 patent application. The record indicates that other attorneys were involved in the prosecution, but neither party asserted that their involvement is relevant.

defendants established that the specific information possessed by plaintiff[24] meets a threshold level of materiality.

a. § 102(b).

Title 35 U.S.C. § 102(b) provides that "[a] person shall be entitled to a patent unless . . . the invention was patented or described in a printed publication in this or a foreign country or in public use or on sale in this country, more than one year prior to the date of the application for patent in the United States." Thus, the statutory section accords prior art status to an invention that is "on sale" more than one year before the applicant's filing date.

Defendants argue that the information held by plaintiff regarding the KA machine was material from a § 102(b) standpoint, that is, the information could have given rise to the "on-sale" bar. In response, plaintiff first argues that

---

[24] Throughout this discussion, I occasionally use "plaintiff" and "members of plaintiff's applicant group" synonymously to simplify the discussion. However, I underscore that pursuant to 37 C.F.R § 1.56(c), my inquiry focuses on members of plaintiff's applicant group, for it is this group that must discharge its duty before the Patent Office. Even if defendants establish that plaintiff's high-level executives had material information and intentionally concealed it, such evidence is irrelevant to the inequitable conduct charge if the executives (1) were not substantively involved in the preparation or prosecution of the application, and (2) did not disseminate the information to members of the applicant group. Any attempt by an alleged infringer to conflate an opponent's corporate actors with the opponent's applicant group represents a distortion of the patent law, and also signals to a court that clear and convincing evidence of materiality and intent may be lacking.

since the jury found in its special verdict that defendants had not proven that the Kustner KA machine was "on sale," then the information held by plaintiff is not prior art and is not material, and this court is bound by the jury finding. Second, plaintiff argues that even if the trial evidence is considered on its merits, defendants failed to prove by clear and convincing evidence that the KA machine is prior art.

Before assessing the evidence on its merits, I reject plaintiff's assertion that this court is bound by the jury's finding that the KA machine is not prior art.[25] In its special verdict form, the jury was asked: "Do you find that defendants proved by clear and convincing evidence that claims 14, 15, 18, 21, 22, 24, or 25 of the '724 patent are invalid, as anticipated because the Kustner Model KA machine was on sale in the United States prior to June 5, 1988?" (R. 181 at 3.) In contrast, the question for this court under inequitable conduct essentially is: "Do you, judge, conclude that it is substantially likely that a reasonable examiner would have considered the information held by plaintiff concerning the Kustner Model KA machine to be important in deciding whether to allow the '724 patent application to issue?" These questions are very different. In the first question, the jury was asked to find whether the evidence proved that the Kustner Model KA machine was in fact "on sale" in the United States, thus giving rise to the § 102(b) statutory bar that renders claims invalid. In the second question, this court asked whether it is substantially likely that a reasonable examiner, had she known what information plaintiff held about the Kustner KA machine, would have considered the information important during prosecution.

---

[25] Plaintiff declared: "The jury found that the KA machine is not prior art. Information cannot be 'material,' in an inequitable conduct sense, unless it is prior art. It is that simple." (R. 196 at 1.)

As noted above, information is "important" (*i.e.* material) when it supports a prima facie case of unpatentability of claims, or is inconsistent with an applicant's arguments. See 37 C.F.R. § 1.56. Information does not lose the status of "important" merely because the patentee in litigation implies that it would have been successful in rebutting an examiner's prima facie case had it disclosed the information. On the contrary, the law imposes the duty of candor on the applicant notwithstanding an applicant's confidence that it will successfully rebut the prima facie case.

In their brief, defendants distill the true nature of plaintiff's proffered argument: an attempt to elevate the standard for inequitable conduct from "material information" to "information a jury found to be invalidating." (R. 199 at 8.) Indeed, such an elevated standard would encourage inequitable conduct. After all, "withholding the information and securing the patent would entitle [inventors] to the presumption of validity, and would require clear and convincing evidence of invalidity to overcome that presumption." *(Id.)* Accordingly, plaintiff's argument cannot stand.

I now assess the evidence adduced at trial on its merits to determine whether a threshold level of materiality has been established. The "critical date" for purposes of the "on sale" bar -- i.e., one year before the parent application was filed -- is June 5, 1988.

"An on sale bar determination requires that [1] the claimed invention asserted to be on sale was operable, [2] the complete invention claimed was embodied in or obvious in view of the device offered for sale [in the United States], and [3] the sale or offer was primarily for profit rather than for

experimental purposes." *Keystone Retaining Wall Sys., Inc. v. Westrock, Inc.*, 997 F.2d 1444, 1451 (Fed. Cir. 1993). Accordingly, I inquire whether the information in the applicant group's possession during prosecution of the patents would have established a prima facie case of each of the three "on sale" requirements, and therefore, a prima facie case of unpatentability of a claim.[26]

As to operability, the relevant evidence at trial was provided by inventor Meli, who testified that in late 1987, prior to the critical date, he received from Gerald Miller, head of plaintiff's subsidiary, IWS slices produced by the Kustner machine. (R. 175 at 77.) The packages were longitudinally heat sealed, (*id.*), in a "polypropylene of some sort," (*id.* at 92). Meli testified that he understood the machine to be inoperable "with polypropylene, sealing it at the higher speeds." (*Id.* at 89.) However, he knew that "the Kustner machine design was a hot fill, then the web was crimped, and then cooled." (*Id.* at 83.)

For purposes of the inequitable conduct determination, the testimony of inventors Shaft and

---

[26] In arguing that the KA machine was inoperable before the critical date, plaintiff references testimony of both third parties and employees of plaintiff that were not in the applicant group. For instance, one processed cheese manufacturer testified that the machine "initially . . . would not work with polypropylene." (R. 196 at 12.) At the same time, plaintiff attacks defendants' arguments as comprising testimony of those not in the applicant group. Unfortunately for plaintiff, I must disregard post hoc attestations as to inoperability. The issue here is whether those in the applicant group believed that the KA machine was inoperable, not whether the KA machine was in fact inoperable.

Brzezinski fell short of showing material knowledge. It is only evident from the testimony that the inventors heard "rumors," (R. 175 at 100), and a "passing comment," (R. 176 at 70), about Kustner's activities. Nevertheless, I conclude that Meli's testimony presents a prima facie case of the operability prong of the "on sale" bar. Although Meli believed that the KA machine was inoperable at high speeds, he knew that the machine was operable at lower speeds, producing heat-sealed packages similar to those produced by the claimed invention. Therefore, at least from a prima facie standpoint, inoperability at high speeds does not diminish the materiality of the Kustner machine.

These observations notwithstanding, it is the "device offered for sale [in the United States]" component of the "on sale" bar determination that disposes of defendants' assertions as to materiality under § 102(b). In particular, Meli indicated that prior to the beginning of the instant litigation, he had no knowledge that Kustner was attempting to market machines in the United States. (Id. at 91.) Moreover, there was no direct evidence at trial that anyone else in plaintiff's applicant group, including the attorneys prosecuting the patent applications, had knowledge of such sales.

Therefore, I conclude that a prima facie case as to the "device offered for sale" component is not met by the evidence.[27] It follows that defendants failed to show that members of the applicant group had knowledge probative of a prima facie case of unpatentability, and that from a §102(b) standpoint defendants failed to make a threshold showing of materiality.

b. § 102(a)

---

[27] Because that component is not shown, I need not reach the remaining components set forth in Keystone.

Title 35 U.S.C. § 102(a) states that a person shall be entitled to a patent unless "the invention was known or used by others in this country, or patented or described in a printed publication in this or a foreign country, before the invention thereof by the applicant for patent."

Defendants argue that plaintiff withheld material information by failing to apprise the Patent Office of the date of a Kustner brochure depicting the KA machine -- because the brochure was undated, the Patent Office could not consider it as a § 102(a) "printed publication[28]." n20 In response, plaintiff first cites what it labels "ample" trial evidence showing conception and reduction to practice regarding its patented machine by July 1987, which antedates the November 1988 date of the Kustner brochure. Second, plaintiff argues that "the jury's findings . . . include a finding that Schreiber's invention was made prior to September 1987. The jury's verdict therefore moots the . . . Brochure Section 102(a) argument raised by the defendants." (R. 196 at 10 n.3.)

Plaintiff's arguments are without merit. Regarding the latter argument, as I discussed above, this court's inquiry is entirely different from the question posed by the jury questions. The issue is not whether plaintiff could have rebutted the examiner's prima facie case of anticipation or obviousness if given the opportunity. The essential issue is whether members of plaintiff's applicant group held knowledge that a reasonable examiner would substantially

---

[28] Plaintiff asserts that the record contains no evidence that the KA machine was "known or used by others" in the United States before plaintiff's date invention. In view of their briefs, defendants do not appear to view this issue as a point of contention.

likely have considered important in deciding whether to allow the '860 and '724 patents to issue. Under the patent laws, an applicant may not assume the role of examiner. The applicant must submit material information to the examiner, and then attack or rebut the examiner's prima facie case.

As to the former argument concerning conception and reduction to practice, plaintiff's constructive reduction to practice date was the filing date of the parent application of the '860 and '724 patent applications. That filing date was June 5, 1989. Because the date of the Kustner brochure, November 1988, predates June 5, 1989, an examiner potentially could have made out a prima facie case of unpatentability.[29] Before or after the prima facie case was made, plaintiff could have filed a Rule 131 affidavit to "swear behind" the Kustner brochure.[30]

These remarks notwithstanding, I conclude that the evidence adduced at trial does not establish that members of the applicant group actually knew of the date of the brochure.

---

[29] This statement assumes that the substance of the prior art disclosed by the brochure would have established a prima facie case of unpatentability based on anticipation or nonobviousness.

[30] Title 37 C.F.R. § 1.131 states in pertinent part:

> When any claim of an application . . . is rejected under 35 U.S.C. 102 (a) . . . or 35 U.S.C. 103 based on . . . reference to a . . . printed publication, the inventor of the subject matter of the rejected claim . . . may submit an appropriate oath or declaration to overcome the . . . publication. The oath or declaration must include facts showing a completion of the invention in this country . . . before . . . the date of the printed publication.

With respect to employees of plaintiff falling within the applicant group, the record is devoid of evidence. With respect to the attorneys prosecuting the '860 patent, the evidence brought forth at trial was that in a letter, they instructed director of engineering Peterson to:

> please determine the publication date, the page numbers of the Kustner brochure. Furthermore, it should be confirmed that the document is a brochure published by Kustner industries. Once this information is supplied to the Examiner, I believe he will consider its disclosure in his next Office Action.

(R. 191, Ex. 19.) The attorneys apparently did not know the publication date, and their office was simply told no one knows the date of that brochure," (R. 189 at 26). Because not even a colorable showing that members of the applicant group had knowledge of the brochure was made here, a threshold showing of materiality certainly was not made. Accordingly, inequitable conduct cannot stem from plaintiff's failure to furnish the publication date of the Kustner brochure to the Patent Office.

c. § 102(f)

Title 35 U.S.C. § 102(f) provides that "[a] person shall be entitled to a patent unless . . . he did not himself invent the subject matter sought to be patented."

This is a derivation provision, which provides that one may not obtain a patent on that which is obtained from someone else whose possession of the subject matter is inherently 'prior.' It does not pertain only to public knowledge, but also applies to private communications

between the inventor and another which may never become public.

OddzOn Prods., Inc. v. Just Toys, Inc., 122 F.3d 1396, 1401-02 (Fed. Cir. 1997).

Defendants argue that plaintiff withheld material "detailed evidence about the manner in which Kustner's machine worked." (R. 189 at 18 n.10.) According to defendants, the evidence "likely would have drawn a § 102(f) rejection on the grounds that Schreiber's 'invention' was derived from the work of others." (Id.) Plaintiff counters that:

> the defendants' § 102(f) argument should be rejected for two separate reasons: (1) even if addressed on the merits, it must be rejected since the brochure is dated too late to be relevant to any derivation issue . . . and (2) the § 102(f) argument should not be considered [**57] here, since the defendants failed to place Schreiber on notice of it during discovery, it was not raised at trial, and it would be unfair to consider it now.

(R. 196 at 10.)

Plaintiff misconstrues defendants' argument. While defendants focus on disclosure of the manner in which Kustner's machine worked, plaintiff seeks to redirect this court's focus to the sales, brochure discussed above. I will address defendants' argument as formulated. Additionally, I disagree with plaintiff's assertion that it would be unfair to

consider the § 102(f) argument.[31] It would be unfair to the Patent Office and the public if plaintiff withheld material information with intent to deceive, but this court formalistically refused to consider probative evidence.

I thus address defendants' argument on its merits, inquiring whether the applicant group withheld information that a reasonable examiner would have substantially likely considered important. At trial, inventor Meli repeatedly demonstrated that he held knowledge about the Kustner KA machine. For instance, he adopted his previous deposition testimony:

> "A. I believe . . . [Kustner] had replaced the crimping belts with some chains that carried, they were doing the same thing without utilizing the rubber belts. There were chains

---

[31] In support of its plea for fairness, plaintiff cites to, inter alia, a case in which the "court refused to consider new inequitable conduct contention raised for first time in post-trial briefing." (R. 196 at 11.) In that case, however, the defendant "in its post-trial brief advanced a different and entirely new contention . . . based on a document . . . introduced into evidence for the limited purpose of buttressing [expert] testimony." *E.I. Du Pont De Nemours & Co. v. Phillips Petrol. Co.*, 656 F. Supp. 1343, 1378 (D. Del. 1987) (emphasis added), rev'd and vacated in part on other grounds, 849 F.2d 1430 (Fed. Cir. 1988). Here, by contrast, defendants merely assert that an additional §102 novelty bar flows from the facts emerging at trial. Like the other § 102 arguments advanced at trial, the § 102(f) derivation argument centers around what the applicant group knew about the Kustner KA machine but failed to disclose to the Patent Office. It therefore does not constitute "a different and entirely new contention."

> on sprockets going down carrying cross bars. That's how they pre-crimped. Then the drums. After that, [Stappard, plaintiff's sales agent,] did tell us that they were heating them, and I am not sure whether it was one pair of drums or two pairs of drums. . . . Then after that in coming out of the cooling tank, they went into some real weird configuration to get to a stacker."

(R. 175 at 80). Further, as stated above, in 1987 Miller gave Meli IWS packages that had been produced by the Kustner machine, (*id.* at 77), and Meli believed the packages were wrapped in a "polypropylene of some sort," (*id.* at 92). Miller also showed Meli photographs of the KA machine. (*Id.* at 86.) At trial Meli agreed that in "late 1987, [he] knew that the Kustner machine design was a hot fill, then the web was crimped, and then cooled." (*Id.* at 83.)

Meli testified as to an April 1988 meeting he had with Robert Bush (inventor of the Bush patent), Miller, and others "to give us permission to develop a machine . . . to sell in competition with [Kustner]." (Id. at 83-84.) The following interchange took place on direct examination:

> Q. Was there a discussion at that meeting about how the Kustner machine worked?
>
> A. I don't remember that.
>
> Q. [Defendants' attorney references Meli's deposition.] You were asked the following question:

"Q. Was there discussion about how the Kustner machine worked?

[*877] "A. No. I don't think so. We were all aware of how it worked."

Q. True answer?

A. Yes.

Q. In April of 1988?

A. Yes.

(Id. at 85 (emphasis added).) Meli's testimony shows that he and those present at the meeting, including Miller, did indeed know how the Kustner machine worked.

The issue remains whether the evidence shows that attendees' awareness encompassed material information. That issue is illuminated by a November 16, 1987 letter from plaintiff's sales agent to Miller.[32] The letter describes how the Kustner machine worked:

The level control appeared to operate in an entirely different manner to ours [i.e., the Bush machine] and IQMM [a Spanish company] indicated it was perfect. The Cheese Pump appeared to be much smaller in size and drive, the registration was simple and accurate and totally different in principle to [plaintiff's].

---

[32] Though the letter was addressed to Miller, Meli's above-quoted testimony that they "were all aware of how it worked," in concert with his other testimony, is probative of the fact that Meli was not kept in the dark as to the letter's contents.

. . . .

The system of cooling appeared to be identical to ours.

. . . .

IQMM did indicate that the crimping section was much heavier and more positive than ours although operating on a similar principle. The slices were also manufactured in a vertical plane exactly the same as ours with a much simpler tube formation followed by this extremely heavy crimping section, a rotary crimping head, similar to ours, then followed by a second crimping head which was heated possibly up to 150 degrees celsius.

There was very little cheese in the crimp after discharge from the crimping belts and this was virtually removed by the first set of crimping heads, the second set of crimping heads had only to seal polypropylene to polypropylene ending with a clear crimp.

(R. 191 Ex. 9 (emphasis added).)

From a § 102(f) standpoint, the final portion of the passage facially seems very significant. The reason is that, in the abstract, a principle of operation embodied in the Kustner machine is the combination of hermetic sealing and removing the food item from the cross-sealing zones. Yet, in a May 18, 1994 interview between the Patent Office examiner, inventor Meli, and Attorney Siller, "applicant stated that the combination of hermetic sealing and removing the [food item] is not shown by the prior art. It is the Examiner's position that such a claim would read over the prior art of

record." (R. 191 at 379.) in a subsequent amendment, plaintiff's attorney argued that:

> During the May 16, 1994 interview, the Examiner agreed that 'the combination of hermetic sealing and removing the [food item from the cross-sealing zones]' is not shown by the prior art. (Examiner Interview Summary Record, Paper No. 18, May 18, 1994). The September 7, 1994 Office Action . . . indicates . . . that . . . Claims would overcome the § 103 obviousness rejection 'if amended to clearly and positively set forth the means/step for forming hermetic seats, . . . and forming a hermetically sealed package.'

(R. 191 at 411.) Assuming that plaintiff derived its invention from knowledge its agents had gleaned about the Kustner machine, then plaintiff, by declaring the novelty of its own invention over the prior art, made material misrepresentations before the Patent Office in the above prosecutory contexts.

On this record, however, I conclude that defendants have failed to show that the knowledge possessed by Meli establishes a prima facie case of derivation. From a technological perspective, the description of the Kustner machine provided by plaintiff's agent is very sketchy, providing few details as to the mechanics of the machine. In particular, there is no evidence that Meli knew how the machine hermetically sealed and removed the cheese from the cross-sealing zones. In other words, defendants have not shown that Meli's knowledge, alone or in combination with prior art, would enable a person of ordinary skill in the art to practice plaintiff's claimed invention. See *Gambro Lundia AB v. Baxter Healthcare Corp.*, 110 F.3d 1573, 1578 (Fed. Cir. 1997) (the standard for derivation is "whether the communication enabled one of ordinary skill in the art to make the patented invention").

Accordingly, I conclude that the information plaintiff withheld from the Patent Office relating to how the Kustner machine worked does not meet the threshold of materiality required under an inequitable conduct inquiry.

2. Intent

In light of my conclusions concerning the materiality of the knowledge held by members of the applicant group in view of § § 102(a), (b), and (f), I need not reach the intent issue.[33] Therefore, defendants failed to prove inequitable conduct by plaintiff in connection with the Kustner machine.

D. Meissner Patent

Defendants argue that plaintiff, by failing to disclose U.S. Patent Number 2,916,864 ("Meissner") during prosecution of the '724 patent,[34] withheld material

---

[33] Defendants assert that "Schreiber Clearly Engaged in Acts Intended to Deceive Kustner." (R. 189 at 22.) As a normative matter, conduct of this sort may be deemed anticompetitive or unfair, but it does not necessarily legally suffice to prove inequitable conduct. The inequitable conduct inquiry is precisely tailored, focusing on the materiality of the information held by the applicant group and whether members of the applicant group intended to deceive the Patent Office by withholding the information.

[34] Defendants notified plaintiff of the existence of the Meissner patent in October 1997. Because the '860 patent had issued two years earlier, on August 15, 1995, the present inequitable conduct inquiry is only germane to the '724 patent, whose issue fee had been paid as of October 1997; the '724 patent did not issue until December 30, 1997. See 37 C.F.R. § 1.313(b)(1)-(2) (allowing applicant to petition for

information from the Patent Office with the intent to deceive. I first explore whether threshold levels of materiality and intent were proffered at trial.

1. Materiality

The parties dispute whether the Meissner patent is material. Meissner discloses a "continuous and high speed apparatus for packaging fluid, semi-fluid and powdered or granular materials in flexible-walled containers." Meissner at col. 1 lines 15-17. One of the declared objects of the Meissner invention is to form and fill a long casing with said fluid or the like, and to then seal the casing "at spaced intervals, with the sealing being accompanied with a spreading of the contained material at the sealing areas." Id. at col. 1 lines 48-54.

Defendants argue that Meissner was highly material to the patentability of the claims of the '724 patent, while plaintiff argues that Meissner is cumulative of or less material than the other references the Examiner had before her during prosecution. For instance, plaintiff in its response brief asserts that U.S. Patent No. 4,586,317 to Bussell, which was cited by the Examiner, teaches "the critical claim limitation of removing all the cheese before forming the hermetic cross seal." (R. 193 at 3.) However, plaintiff merely points to several passages in the Bussell specification. During trial, plaintiff did not apprise defendants of its reliance on this reference, thus preventing defendants from calling an expert to testify as to the materiality of the patent. Accordingly, I decline plaintiff's invitation to act as a person of ordinary skill in the art (which I am not) and construe the Bussell patent in ex parte fashion.

---

withdrawal of the application from issue on account of a violation of 37 C.F.R. § 1.56 or unpatentability of claims).

Turning to the parties' remaining contentions as to the materiality of Meissner, I again note that a key argument for the patentability of plaintiff's claims was that "the combination of hermetic sealing and removing the [food item from the cross-sealing zones] is not shown by the prior art. It is the Examiner's position that such a claim would read over the prior art of record." (R. 191 at 379.) According to defendants, Meissner is material because, unlike the Bush patent, it discloses the very feature plaintiff touted as overcoming the prior art -- hermetic sealing at the cross zones.[35] Plaintiff responds that the evidence adduced at trial fails to show that Meissner discloses this feature.

In view of this controversy, I first reiterate my earlier construction of the claim term "hermetic seal." Specifically, I concluded that "'hermetic seal" thus means a seal that will exclude air and will be leakproof at normal temperatures and atmospheric pressures to the extent the thermoplastic materials disclosed in the specification allow." (Decision of 8/7/98 at 15.) My construction approximated that advanced by plaintiff at the Markman hearing; I rejected defendants' attempts to define hermetic seal to require an absolute air and vapor barrier.

In arguing against the materiality of Meissner, however, plaintiff seems to have reversed its position on

---

[35] Plaintiff initially contended that Meissner does not disclose another feature, namely, the formation of individual slices, but defendants point to passages in the Meissner specification that belie this contention. (See R. 198 at 5.) In any event, because Bush discloses formation of individual slices, Meissner's disclosure is at best merely cumulative of Bush -- and thus not material -- with respect to this limitation in the '724 patent claims.

claim construction, now implying that "hermetic seal" has a narrower meaning that excludes the seals disclosed in Meissner. Despite my observation that "the films disclosed in the Schreiber patents are semi-permeable and thus permit passage of minute amounts of gas over time," (*id.*), that is, plaintiff's patented seal is not truly hermetic, plaintiff asserts that the seal of Meissner is simply a heat seal, not a hermetic seal, and notes that the Meissner patent does not contain the word "hermetic," (R. 187 at 13). In other words, plaintiff suggests that without a hermetic seal, as narrowly defined by plaintiff, Meissner is not material to the patentability of plaintiff's claims.

Plaintiff further distinguishes its apparatus from Meissner on the basis of force exerted, operating speed, and amount of cheese removed by plaintiff's cross-sealing apparatus. In particular, plaintiff identifies several statements made by Hotchkiss during cross-examination. Hotchkiss agreed that "we don't know whether or not the Meissner machine exerts a greater force than the Bush machine in removing cheese." (*Id.* at 116.) And he agreed that "it's possible that the cheese isn't completely removed before the heating begins." (*Id.* at 117.) Finally, plaintiff focuses on the speeds at which plaintiff's and Meissner's apparatus functioned. According to plaintiff, the difference in speeds arguably shown at trial evidences a critical difference between plaintiff's and Meissner's apparatus, undermining defendants' anticipation argument.

In essence, plaintiff asks me not only to narrow my claim construction of the term "hermetic seal," but also to import into the claims the distinguishing characteristics plaintiff has identified. I find no support for plaintiff's arguments in the '724 patent's intrinsic record or the extrinsic record that emerged at trial. The reason is that, as to these distinguishing characteristics, the Examiner indicated during

prosecution that the combination of hermetic sealing and removing the food from the cross-sealing zones overcame the prior art. At no time did the Examiner state that a particular speed or force capability was inherent in the independent claims at issue. Nor did plaintiff argue for a claim construction reliant upon speed and force. Yet plaintiff now attempts to persuade this court that speed and force were points of novelty of plaintiff's claimed invention, and that Meissner, by not operating at a certain speed or force, is thus not material.[36] Further, plaintiff finds it significant that, notwithstanding the '724 patent claims' limitation that "substantially all" of the food item must be removed, Hotchkiss was not certain whether "all" of the food item was removed by Meissner. I am not persuaded by plaintiff's arguments. The key issue is whether Meissner is material to what was claimed by plaintiff in the '724 patent and not shown by the prior art before the Examiner, namely, hermetic sealing and removing substantially all the food item from the cross-sealing zones.

---

[36] Dependent claim 15 prescribes that the "rate [be] sufficient to produce in excess of 700 hermetically sealed individual [sic] cheese packages per minute." Dependent claim 25 is similar. An elementary canon of claim construction, the principle of claim differentiation, provides that each claim has its own scope. Applying that canon, claims 14 and 18 have a respectively broader scope than the claims that depend therefrom. This means that claims 14 and 18 are not limited to any range of speeds. Accordingly, assuming that Meissner discloses a slower machine that nonetheless discloses the combination of hermetic sealing and removing the food item from the cross-sealing zones, Meissner is material.

As to Meissner's materiality to claim 14[37], defendants contend that Meissner discloses "a longitudinal hermetic seal," "applying sufficient pressure at the cross-sealing zones to eliminate substantially all of the cheese from the cross-sealing zones," and "hermetically sealing the cross-sealing zones." They identify portions of the Meissner specification supportive of this assertion. First, with respect to the "longitudinal hermetic seal" of claim 14, Meissner states that the disclosed apparatus "heat seals" web material "with its longitudinal edges in overlapping relationship." Meissner at col. 3 lines 2-10. Second, with respect to claim 14's limitation of "applying sufficient pressure at the cross-sealing zones to eliminate substantially all of the cheese from the cross-sealing zones," Meissner discloses upper sealing jaws that "forcefully engage with the casing and thus effectively squeeze all of the fluid or semi-fluid material away from between the opposed sealing jaws." Id. at col. 4 lines 67-70. Third, as to claim 14's limitation of "hermetically sealing the cross-sealing zones," Meissner declares that "transverse sealing of the stuffed casing is actually effected when the opposing jaws 29 and 31 are brought together and the Nichrome element 53 is energized." Id. at col. 4 lines 57-59. For certain materials, "it is desirable that the casing film be provided with tiny openings . . . so that substantially all of the air within the casing can escape." Id. at col. 7 lines 47-50.

Against the backdrop of my construction of "hermetic seal," which recognizes that plaintiff's hermetic seal is not truly hermetic, this element-by-element comparison between (1) elements of claim 14 not shown by the Bush patent and (2) the disclosures of Meissner leads me to conclude that a threshold showing of the materiality of Meissner was made by defendants. Meissner fills in the gaps of the Bush patent,

---

[37] The dispute also goes to claim 18, but its limitations are not materially different from those of claim 14.

and the references together establish a prima facie case of obviousness against plaintiff's claimed invention.

My conclusion that Meissner is material is buttressed by Hotchkiss's testimony at trial. Hotchkiss stated that "Meissner indicates that you can put cheese through this machine, so my assumption is that the force is sufficient to remove the cheese. I take Meissner at his word." (R. 177 at 117.) Additionally, he testified that all the limitations of the '724 patent claims are disclosed by Meissner. (See *id.* at 98-104.) However, his personal "caveat," (*id.* at 97), was that within the instant technology, "I don't quite agree with the word hermetic . . . . The word hermetic is not used in a strict sense here," (*id.* at 59). "Hermetic seals are basically . . . impervious to the transfer of gases or vapors or liquids at normal temperatures and conditions. These are not that way." (*Id.*) It is clear that Hotchkiss's view of the meaning of "hermetic seal" is in accord with mine. Unlike plaintiff, I do not find that this view diminishes the weight of Hotchkiss's testimony.

2. Intent

Defendants assert that plaintiff intentionally failed to disclose Meissner to the Patent Office before issuance of the '724 patent. Defendants' assertions are directed solely to Attorney Mazza, whom defendants informed of the existence of Meissner in October 1997. In their briefs, defendants state that "we do not propose to argue [the intent] issue," (R. 190 at 8), and that "it is for this Court to decide whether the failure of Schreiber's counsel to inform the Patent Office of Meissner . . . was inadvertent or a tactical judgment," (R. 198 at 7).

Defendants "ask only that the Court consider [nine] facts in making its determination of intent." (R. 190 at 8.)

However, not all of defendants' statements are facts. For instance, defendants represent that "the failure of the Bush reference to disclose production of a continuous slice without indentations was a central argument for patentability of the patents in suit." (R. 190 at 9). Plaintiff properly notes that this representation is unsupported by any evidence adduced at trial. Further, defendants represent that "there can be no question that Meissner's cross sealer would have produced 'hermetic' transverse seals to the extent Schreiber's cross sealer does," (id.), but this was a disputed issue at trial. Finally, defendants mistakenly attribute testimony of Mazza to Attorney Siller. Accordingly, I accord these particular statements little or no weight.

Consideration of defendants' remaining statements and the record as a whole leads me to conclude that defendants have fallen far short of making a threshold showing of intent. In arguing that intent has been shown, defendants point to Mazza's knowledge of Meissner, the asserted materiality of Meissner, and the fact that Meissner was not cited. In effect, defendants advance a theory of inferential culpability, "arguing that intent to deceive or mislead should be inferred from the fact that certain information was not provided to the examiner," *Therma-Tru Corp. v. Peachtree Doors Inc.*, 44 F.3d 988, 996 (Fed. Cir. 1995). The Federal Circuit has frowned upon such a theory, id., and because the record here lacks additional probative evidence, I decline to embrace defendants' theory.

At trial, when asked why he had not cited Meissner, Mazza answered that, "To be honest, I didn't think about it. If I had thought about it, with the benefit of hindsight, I am sure I would have cited it." (R. 187 at 51.) Elaborating upon his answer, Mazza maintained that Meissner "was not in fact material to the patentability of the either '860 or '724 claims," (*id.*), but that from a litigation perspective, "it would have

been much easier to have cited the Meissner patent . . . . But unfortunately, I didn't think of that," (*id.* at 54.)

I find Mazza to be credible and accept his explanation that his failure to disclose Meissner stemmed from inadvertence, not from an intent to deceive. See, e.g., *Heidelberger Druckmaschinen AG v. Hantscho Commercial Prods., Inc.*, 21 F.3d 1068, 1073 (Fed. Cir. 1994) ("The trial judge found the witness credible and the explanation plausible."). Defendants have presented no evidence that sufficiently undermines Mazza's testimony.

Because defendants have not made a threshold showing of intent, the inequitable conduct inquiry ends here. Thus, defendants failed to prove inequitable conduct by plaintiff in connection with the Meissner patent.

IV. CONCLUSION

Accordingly,

IT IS ORDERED that defendants' motion for a ruling of noninfringement as a matter of law (doc. # 188) is **GRANTED**.

IT IS ORDERED that in regard to the inequitable conduct court trial issue, my findings of fact and conclusions of law are as set forth above in section III, and, in conclusion, that defendants have failed to prove inequitable conduct by plaintiff's applicant group before the Patent Office.

THEREFORE, IT IS ORDERED that defendants' motion for a ruling of inequitable conduct in connection with the Kustner machine (doc. # 189) is **DENIED**, and defendants' motion for a ruling of inequitable conduct in

connection with the Meissner patent (doc. # 190) is **DENIED**.

IT IS ORDERED that this case is **DISMISSED** based on the granting to defendants of judgment as a matter of law.

FINALLY, IT IS ORDERED that the Clerk accordingly enter judgment for defendants in both cases.

Dated at Milwaukee, Wisconsin, this 30 day of March, 2000.

LYNN ADELMAN
District Judge

(2)

Supreme Court, U.S.
FILED
AUG 23 2002
OFFICE OF THE CLERK

No. 02-129

In the Supreme Court of the United States

KUSTNER INDUSTRIES, S.A., et al.,

Petitioners,

v.

SCHREIBER FOODS, INC.,

Respondent.

On Petition for Writ of Certiorari to the United States Court of Appeals for the Federal Circuit

RESPONDENT'S BRIEF IN OPPOSITION

THOMAS G. SCAVONE
Counsel of Record
MICHAEL P. MAZZA
PATRICK F. SOLON
NIRO, SCAVONE, HALLER & NIRO
181 West Madison Street
Suite 4600
Chicago, Illinois 60602
(312) 236-0733

Counsel for Respondent Schreiber Foods, Inc.

Midwest Law Printing Company/Photex — Chicago — (312) 321-0220

2pp

RULE 29.6 NOTATION

The respondent Schreiber Foods, Inc. has no parent, and there is no publicly held company that owns ten percent or more of the respondent's stock.

TABLE OF CONTENTS

PAGE

RULE 29.6 NOTATION i

TABLE OF AUTHORITIES iii

STATEMENT OF THE CASE 1

REASONS WHY THE PETITION SHOULD BE DENIED 6

I. THERE IS NO CONFLICT WITH THIS COURT'S DECISION IN *PFAFF* 6

II. THE FEDERAL CIRCUIT CITED AN ESTABLISHED PROPOSITION THAT RAISES NO IMPORTANT QUESTION OF LAW 9

III. KUSTNER'S ON-SALE DEFENSE FAILED BECAUSE OF INSUFFICIENT EVIDENCE, NOT THE LAW APPLIED 12

IV. THERE IS NO CONFLICT WITH STATUTORY LANGUAGE OR POLICIES 13

V. THE QUESTION PRESENTED WAS NOT PRESERVED IN THE COURT OF APPEALS 15

CONCLUSION 16

TABLE OF AUTHORITIES

Federal Cases PAGE(S)

Adickes v. S. H. Kress and Co.,
398 U.S. 144 (1970) 16

Barbed Wire Patent,
143 U.S. 275 (1892) 3, 12

Finnigan Corp. v. ITC.,
180 F.3d 1354 (Fed. Cir. 1999) 3, 12

Group One, Ltd. v. Hallmark Cards, Inc.,
254 F.3d 1041 (Fed. Cir. 2001) ..... *passim*

Linear Technology Corp. v. Micrel, Inc.,
275 F.3d 1040 (Fed. Cir. 2001) 9, 11, 15

Pfaff v. Wells Electronics, Inc.,
124 F.3d 1429 (Fed. Cir. 1997) 8

Pfaff v. Wells Electronics, Inc.,
525 U.S. 55 (1998) ..... *passim*

RCA Corp. v. Data General Corp.,
887 F.2d 1056 (Fed. Cir. 1989) 4, 8, 9, 12

Scaltech, Inc. v. Retec/Tetra, LLC,
269 F.3d 1321 (Fed. Cir. 2001) 11, 12

Seal-Flex, Inc. v. Athletic Track & Court Const.,
98 F.3d 1318 (Fed. Cir. 1996) 4, 15

Symbol Techs., Inc. v. Lemelson Med.,
277 F.3d 1361 (Fed. Cir. 2002) 1

UMC Electronics v. United States,
816 F.2d 647 (Fed. Cir. 1987),
cert. denied, 484 U.S. 1025 (1988) 3, 4

United States v. Martinez,
96 F.3d 473 (11th Cir. 1996),
cert. denied, 519 U.S. 1133 (1997) 6, 15, 16

Federal Statute

35 U.S.C. § 102(b) 1, 2, 6

RESPONDENT'S BRIEF IN OPPOSITION

The respondent Schreiber Foods, Inc. respectfully requests that this Court deny the petition for writ of certiorari, seeking review of the judgment and opinion of the Court of Appeals for the Federal Circuit in this case.

STATEMENT OF THE CASE

The petitioners ask this Court to review a one-sentence statement of law in the unpublished, non-precedential opinion of the Court of Appeals for the Federal Circuit (Pet. 14a). Fed. Cir. R. 47.6; *Symbol Techs., Inc. v. Lemelson Med.*, 277 F.3d 1361, 1367-68 (Fed. Cir. 2002). In the opinion, the Federal Circuit merely cited the established meaning of a "commercial offer for sale" that will invalidate a patent if made one year before filing a patent application. *See Pfaff v. Wells Electronics, Inc.*, 525 U.S. 55, 67 (1998) (statutory "on-sale bar" of 35 U.S.C. § 102(b) requires "commercial offer for sale").

This case turned on its facts, not the Federal Circuit's statement of the law. In the proceedings below, the petitioners could not prove this "on-sale" defense because they had no clear and convincing evidence of any "offer for sale," even using the petitioners' definition of the term (Pet. 14a). Thus, the petitioners effectively ask that this Court overrule its own decision in *Pfaff* requiring a "commercial offer for sale" and adopt a new, easier to prove, and indefinite standard of "commercial activity" (Pet. 11).

In the 1980s, the respondent Schreiber Foods, Inc. ("Schreiber") developed new equipment for packaging individually wrapped cheese singles with hermetic seals. Schreiber filed a patent application on June 5, 1989 that

led to issuance of the two patents in this case. When sued for selling infringing machines, the petitioner Kustner Industries, S.A. ("Kustner") tried to prove the patents invalid under the "on-sale bar" of 35 U.S.C. § 102(b). The petitioners also made many other unsuccessful contentions, not raised in the petition, on the issues of infringement and validity of the Schreiber patents.

The "on-sale" defense required corroborated, clear and convincing evidence that the patented invention was the subject of an actual sale, or a "commercial offer for sale," in the United States, before June 5, 1988 (the "critical date"). Kustner's defense was based on an allegation that before June 5, 1988, Kustner had offered to sell a machine that would be based on a Kustner prototype then in development in Switzerland. Kustner further alleged (and Schreiber denied) that its 1988 prototype embodied the patented Schreiber invention.

Years later, in the 1990s, Kustner sold machines that infringe the Schreiber patents to the petitioner Great Lakes Companies and to others. Kustner first offered to sell the infringing machines in the United States in August 1991 (A4490-92, 9018-9103), three years after the critical date for the on-sale bar.

To prove an "offer for sale," the petitioners asserted at trial that Kustner's salesman made oral offers during two sales calls to cheese producers Land O' Lakes and Sargento Foods before June 1988 (Pet. 4). However, Kustner had insufficient evidence that either of these alleged events generated an offer to sell a machine embodying the Schreiber patents. Kustner was unable to produce more than the oral testimony of a single witness to each alleged offer. Not a single document corroborated the alleged offer for sale of these complex and expensive commercial machines. The same Kustner salesman wrote

after the critical date that Kustner was not yet ready to introduce a machine in North America (A9248-49, A4494-96). Notably, the petition does not challenge the law that such uncorroborated testimony is insufficient, as a matter of law, to establish clear and convincing evidence of the on-sale bar. *Finnigan Corp. v. ITC.*, 180 F.3d 1354, 1367-68 (Fed. Cir. 1999); *Barbed Wire Patent*, 143 U.S. 275, 284 (1892).

Kustner first relies (Pet. 4) on its own salesman's uncorroborated, conclusory testimony that an oral "offer" was made to Land O' Lakes (A4399). At trial, the person at Land O' Lakes to whom the alleged offer was made also testified, but he denied receiving any offer of a Kustner machine (A4578). Thus, there was no clear and convincing evidence of an offer for sale to Land O' Lakes.

Similarly, the only evidence of an oral "offer" to Sargento Foods (Pet. 4) came from testimony of the alleged recipient. But the witness could not testify to any discussion of price, delivery terms or machine specifications (A4510-14), and confirmed that he was not aware of any offer to sell made during a "general discussion" with Kustner's salesman (A4513). Kustner's own salesman gave no evidence of an offer to Sargento Foods. Thus, there was no clear and convincing evidence of an offer to sell to Sargento Foods.

In August 1998, a jury gave its verdict rejecting this defense (A215), having received an instruction that a "definite offer of sale" of the patented invention must be made to prove the on-sale bar (A195-96). At that time, decisions of the Court of Appeals for the Federal Circuit required a "definite" offer for sale, a standard met by contract offers that could be accepted. *UMC Electronics v. United States*, 816 F.2d 647, 656 (Fed. Cir. 1987), *cert.*

denied, 484 U.S. 1025 (1988) (written, specific contract bid to Navy was a "definite sale or offer to sell"); *RCA Corp. v. Data General Corp.*, 887 F.2d 1056, 1062 (Fed. Cir. 1989) (required "definite offer" was a "lengthy written proposal" which could be "'accepted' . . . the characteristic of a definite formal offer"); *see also Seal-Flex, Inc. v. Athletic Track & Court Constr.*, 98 F.3d 1318, 1324 (Fed. Cir. 1996) ("The trier of fact must determine . . . whether the inventor was merely exploring the market, or had made an unconditional offer to sell a completed invention.").

After the verdict, this Court decided *Pfaff v. Wells Electronics, Inc.*, 525 U.S. 55 (1998), which establishes that the on-sale bar requires satisfaction of two conditions before the critical date: there must be a "commercial offer for sale"; and the invention must be "ready for patenting." *Id.* at 67. In *Pfaff*, this Court held that the on-sale bar rendered invalid the patent at issue, because the inventor's acceptance of a purchase order "makes it clear" that a commercial offer for sale was made and the invention was "ready for patenting" at that time. *Pfaff*, 525 U.S. at 68.

In the district court and on appeal, the petitioners argued that the jury instructions had omitted the "ready for patenting" standard of *Pfaff*, so they needed a new trial of their on-sale defense to have the opportunity to prove that the Kustner prototype was "ready for patenting" before the critical date (Pet. 3). Schreiber replied with several arguments, including that any error on the "ready for patenting" element was harmless, because Kustner had no clear and convincing evidence of an offer for sale. Schreiber argued that the correct definition of an "offer for sale" was an offer with contract terms that

could be accepted (Reply Brief for Schreiber Foods, Inc. in the Court of Appeals, June 18, 2001, p. 25).

In their reply brief in the Court of Appeals, the petitioners cited and discussed the just-decided case *Group One, Ltd. v. Hallmark Cards, Inc.*, 254 F.3d 1041, 1046 (Fed. Cir. 2001), which supported Schreiber's argument that a contract-law definition applies to "commercial offer for sale." The petitioners argued that Kustner's evidence established an "offer for sale" under *Group One* and other precedent. The petitioners did not argue, as they do now, that *Group One* was inconsistent with *Pfaff* or any earlier decisions, that *Group One* should not be applied to the case, or, most remarkably, that the on-sale bar does not even require an offer for sale (Reply Brief for Defendants-Cross Appellants, July 19, 2001, pp. 17-26).

Deciding the on-sale issue on the facts of this case, the Court of Appeals held that the petitioners did not have sufficient evidence of any offer for sale:

> Without any evidence of a formal offer, acceptance, contract, or bill of sale, the record does not show that the Kustner KA prototype was the subject of a commercial offer. Thus, Kustner did not prove by clear and convincing evidence that the Kustner KA machine was on sale before the critical date.

(Pet. 14a). This holding was mandated by the lack of corroborated, clear and convincing proof, not the legal definition of an offer for sale. The Court of Appeals cited *Group One* without discussion, for the proposition that "a commercial offer for sale must be a formal offer under commercial contract principles with terms that can be accepted to form a contract" (Pet. 14a).

In their petition for rehearing and rehearing en banc to the Court of Appeals, which was denied, the petitioners raised for the first time their argument to this Court that the *Group One* decision provides an incorrect definition of an "offer for sale." Schreiber argued at that time that the issue had been waived during briefing of the appeal (Response of Schreiber Foods, Inc. to Combined Petition, April 10, 2002, p. 11). *See United States v. Martinez*, 96 F.3d 473, 475 (11th Cir. 1996), *cert. denied*, 519 U.S. 1133 (1997) (courts of appeal "do not consider issues or arguments raised for the first time on petition for rehearing.").

REASONS WHY THE PETITION SHOULD BE DENIED

I. THERE IS NO CONFLICT WITH THIS COURT'S DECISION IN *PFAFF*

The "on-sale bar", Section 102(b) of the Patent Act of 1952, precludes patenting an "invention" that has been "on sale" more than one year before filing a patent application. This Court has determined that the statute gives rise to two conditions that must be satisfied before the critical date. "Invention" requires a complete invention that is "ready for patenting." "On sale" requires a completed sale or a "commercial offer for sale." *Pfaff v. Wells Electronics, Inc.*, 525 U. S. 55, 67 (1998). Existence of these two conditions triggers the one-year period in which an inventor must file a patent application. The on-sale statute thus creates "a period of limitation which should be certain." *Pfaff*, 525 U.S. at 65 (quoting *Andrews v. Hovey*, 123 U.S. 267, 274 (1887)).

This Court in *Pfaff* applied the on-sale bar to facts establishing a formed, commercial contract to sell the

invention by the inventor himself. *Pfaff*, 525 U.S. at 68. The offer for sale was an accepted purchase order for the invention. *Id.* Therefore, nothing in *Pfaff* conflicts with the Federal Circuit's one-sentence statement of the law in its non-precedential opinion in this case, that an "offer for sale" is an offer that can be accepted to form a contract (Pet. 14a).

It is the petitioners who have disregarded *Pfaff*, in their effort to eradicate the requirement of an offer for sale. Their contention (Pet. 8, 11-12) that the on-sale bar can be satisfied by something less than an actual sale or offer for sale (Pet. 8, 11-12) has no support in the precedent of this Court or any other court. *Pfaff* clearly states that a "commercial offer for sale" is required:

> We conclude, therefore, that the on-sale bar applies when two conditions are satisfied before the critical date. First, the product must be the subject of a commercial offer for sale. An inventor can both understand and control the timing of the first commercial marketing of his invention. The experimental use doctrine, for example, has not generated concerns about indefiniteness, and we perceive no reason why unmanageable uncertainty should attend a rule that measures the application of the on-sale bar of §102(b) against the date when an invention that is ready for patenting is first marketed commercially. In this case the acceptance of the purchase order prior to April 8, 1981, makes it clear that such an offer had been made, and there is no question that the sale was commercial rather than experimental in character.

Pfaff, 525 U.S. at 67. This is not mere dicta, as the petitioners suggest (Pet. 9), but was the basis for this Court's holding that the patent at issue is invalid.

In *Pfaff*, the Court of Appeals for the Federal Circuit had concluded that an "invention" need only be "substantially complete." *Pfaff*, 525 U.S. at 60. Also, at that time, the Federal Circuit typically applied a "totality of the circumstances" test when applying the on-sale bar, in which no one factor was deemed decisive. *Pfaff*, 525 U.S. at 66 n.11; *Pfaff v. Wells Elecs., Inc.*, 124 F.3d 1429, 1433 (Fed. Cir. 1997). This Court rejected these vague and indefinite standards, which conflicted with the statutory language and legislative purpose to provide inventors with a certain standard fixing the time when a patent application must be filed. *Pfaff*, 525 U.S. at 65-66.

The petitioners ask this Court to resurrect the same sort of vague test rejected in *Pfaff*, and in doing so they rely almost exclusively on a Federal Circuit decision applying the rejected "totality of the circumstances" test. *RCA Corp. v. Data General Corp.*, 887 F.2d 1056, 1059 (Fed. Cir. 1989) (stating that the on-sale bar "does not lend itself to formulation into a set of precise requirements"). *See Pfaff*, 525 U.S. at 66 n.11 (crediting Federal Circuit's own recognition that this "test is unnecessarily vague"). *Pfaff* provides no support for the nebulous "commercial activity" standard urged by the petitioners, based on dicta from the *RCA* decision that the Federal Circuit has correctly refused to adopt as precedent (see Section II below).

II. THE FEDERAL CIRCUIT CITED AN ESTABLISHED PROPOSITION THAT RAISES NO IMPORTANT QUESTION OF LAW

The petitioners make the unsupported claim that a "uniform body of law" existed for "more than one hundred sixty-five years" (Pet. 8), by which an informal, non-contractual offer could trigger the on-sale bar. The petitioners cite only to dicta from the Federal Circuit's pre-*Pfaff* decision in *RCA*, discussing the requirement of a "definite" offer for sale:

> The requirement of a *definite* offer excludes merely indefinite or nebulous discussion about a possible sale. While this requirement may be met by a patentee's commercial activity which does not rise to the level of a formal "offer" under contract law principles, a definite offer in the contract sense clearly meets this requirement.

RCA, 887 F.2d at 1062 (emphasis in original, internal citation omitted).

The Federal Circuit has expressly recognized that the proposition in *RCA* relied on by the petitioners is dicta. *Group One, Ltd. v. Hallmark Cards, Inc.*, 254 F.3d 1041, 1046 (Fed. Cir. 2001). In *RCA*, the Federal Circuit *held* that there was a "definite offer" because there was a contract offer—a formal proposal that could have been "accepted" by the recipient government agency. *Id.*; *RCA*, 887 F.2d at 1062.

The petitioners' only other cited support for this so-called "uniform body of law" comes from three district court decisions applying the *RCA* decision (Pet. 11-12). None was affirmed on appeal, and the petitioners acknowledge that the *Linear Technology* case was reversed on the relevant point by the Federal Circuit (Pet. 11).

Contrary to Kustner's contention (Pet. 8), the Federal Circuit has never held that anything less than a contract offer constitutes an "offer for sale." Based on this unsupported premise, the petitioners assert that the Federal Circuit's decision in *Group One* marks a dramatic change in the definition of an "offer for sale" for purposes of the on-sale bar. But in *Group One*, the Federal Circuit did nothing more than clarify its own precedent by rejecting the 1989 dicta from *RCA* that is the sole basis for the petitioners' argument. *Group One*, 254 F.3d at 1046.

Specifically, in *Group One*, the Federal Circuit analyzed its own pre-*Pfaff* precedents which required a "definite" offer for sale, including the *RCA* case, and determined:

> In short, there is no binding precedent in this circuit that requires us to accept something less than an offer to contract as constituting an offer for sale as that term is construed for purposes of the on-sale bar of 35 U.S.C. §102(b).

Group One, 254 F.3d at 1047.

Unable to find a substantial question in the Court of Appeals' decision in this case, the petitioners focus their attack on *Group One*. As stated below in Section III, this case turned on a lack of evidence, not the application of *Group One*. But in any event, the Federal Circuit in *Group One* had sound reasons for closing the loophole in the offer for sale requirement that the *RCA* dicta may have created. Federal Circuit decisions had consistently required a "definite" offer to sell, and had consistently found that requirement satisfied by contract offers. The Federal Circuit further stated that a definite standard for the required "commercial offer for sale" would be

consistent with *Pfaff*. 254 F.3d at 1046-47. Given that an "offer" is a creature of contract law, reliance on the general law of contracts provides a definite and familiar standard to measure what is an offer. *Id.* at 1047.[1] The Federal Circuit acknowledged that this is a fact-bound determination, and declined to establish a rigid rule for all cases that would warrant review in this Court:

> Nor do we propose to offer rules or even binding guidance for making such determinations, which offer would be little more than *obiter dicta*.

Group One, 254 F.3d at 1048.

For these reasons, neither *Group One*, nor the apparent demise of the *RCA* dicta relied on by the petitioners, warrant review in this Court. Other, precedential decisions of the Federal Circuit since *Pfaff* have applied and developed the principle cited in the Court of Appeals' opinion in this case, that "a commercial offer for sale must be a formal offer under commercial contract principles . . . ." (Pet. 14a). *Scaltech, Inc. v. Retec/Tetra, LLC*, 269 F.3d 1321, 1328 (Fed. Cir. 2001) (applying *Group One* to require offer that can be accepted under contract law); *Linear Technology Corp. v. Micrel, Inc.*, 275 F.3d 1040, 1048, 1050 (Fed. Cir. 2001) (applying *Group One* and defining offer under commercial-contract law). There has been no resultant outcry from practitioners or

---

[1] Contrary to the petitioners' contention, the Federal Circuit has not set up the UCC as an "extraneous test" (Pet. 9) for an offer for sale. Rather, the UCC is used for what it is: a recognized, general source of commercial law to "inform" the determination under general principles of contract law. *Group One*, 254 F.3d at 1047; *Linear Tech. Corp. v. Micrel, Inc.*, 275 F.3d 1040, 1048, 1050 (Fed. Cir. 2001).

commentators. The Federal Circuit has seen no need to address the issue en banc, having denied requests for rehearing en banc in *Group One*, 254 F.3d at 1041, in *Scaltech*, 269 F.3d at 1321, and in this case.

The petition presents no important, unresolved question warranting determination by this Court.

III. KUSTNER'S ON-SALE DEFENSE FAILED BECAUSE OF INSUFFICIENT EVIDENCE, NOT THE LAW APPLIED

During the appeal, the petitioners accepted the law and argued the facts. The case does not turn on the legal definition of an "offer for sale." The petitioners' defense failed because Kustner had only bare, conclusory testimony of its own commissioned salesman. Kustner could offer no corroborated, clear and convincing evidence of any activity that could be interpreted as an offer for sale (Pet. 14a: "Without any evidence of a formal offer, acceptance, contract, or bill of sale . . .").

The petitioners lacked the clear and convincing evidence that the law requires to satisfy any possible standard for an offer for sale. Even if the *RCA* dicta they rely on was applied here, the conclusory, uncorroborated testimony is still insufficient to satisfy Kustner's clear and convincing burden to prove invalidity of a patent. *Finnigan Corp. v. ITC.*, 180 F.3d 1354, 1367 (Fed. Cir. 1999); *Barbed Wire Patent*, 143 U.S. 275, 284 (1892). No supporting documents exist. The testimony presented by Kustner does not even amount to the "indefinite or nebulous discussion about a possible sale" deemed inadequate in the *RCA* dicta. *RCA*, 887 F.2d at 1062. By comparison, Kustner's evidence falls far short of the

substantive negotiations and correspondence held insufficient in *Group One*, 254 F.3d at 1044.[2]

IV. THERE IS NO CONFLICT WITH STATUTORY LANGUAGE OR POLICIES

The petitioners propose a non-standard whereby any communication promoting an upcoming product can be an offer for sale, even though there is no prospect for a sale to result. The statutory language and policies relied on by the petitioners do not support their argument.

The petitioners' reliance on the statutory language "on sale" as meaning "available for purchase" (Pet. 11) is misplaced. First, this Court has already interpreted the statute to require a "commercial offer for sale" in *Pfaff*. Second, only products that are the subject of contract-law offers would be "available for purchase" under the petitioners' definition. If a potential buyer has no potentially binding offer to accept, he cannot purchase the product without further action by the seller—a subsequent offer to sell or acceptance of an offer to buy.

The petitioners also rely on asserted policies behind the on-sale bar (Pet. 14). However, their desire for a vague standard necessarily disregards the interest, recognized in *Pfaff*, 525 U.S. at 65, in fixing a time certain for inventors to file their patent applications.

---

[2] Other, independent arguments raised by Schreiber below equally compel the result reached by the Court of Appeals, and would continue to support the judgment if the petition were granted, including Schreiber's contention that the jury instructions on the on-sale bar were in all ways correct, and that the Kustner prototype allegedly offered for sale in 1988 did not embody the Schreiber invention.

The petitioners assert policies to prevent inventors from profiting for a longer time than a patent's term of exclusivity, and to require early disclosure of the inventor's knowledge (Pet. 14-15). *Cf. Pfaff*, 525 U.S. at 65 (statute protects the public's right to retain knowledge placed in the public domain and the inventor's right to control whether and when to patent invention). Neither of the petitioners' asserted policies is served by the petitioners' position.

Absent an actual sale, or conduct that can bind the offeror to make a sale, there is no risk that the inventor will profit from the invention. Something more must occur to put the invention on sale—a binding offer to sell, acceptance of an offer to buy, or a completed sale. If the so-called offeror is only promoting a product by "promotional" activity which cannot bind him to make a sale, this policy is not implicated. If potential customers show interest, the inventor must then decide whether to proceed to put the invention "on sale," by making an offer or accepting an offer to buy. *See Group One*, 254 F.3d at 1047 (communications lacking specific terms such as price and quantity suggested preliminary proposals or invitations to negotiate, rather than offers to sell). On the other hand, once a contract offer is made, the inventor voluntarily puts himself in a position where the offer creates the prospect that the patented product will be sold. In that case, the on-sale bar is triggered, as the law recognizes, and the inventor must file within one year.

In this context, the petitioners' argument that advertising (an issue not presented by this case) must always trigger the on-sale bar, irrespective of the substance or circumstances of the advertisement, makes no sense (Pet. 17-18). Any advertising that would implicate the on-sale bar would itself be an offer, or would precipitate subse-

quent offers to sell, accepted offers to purchase, or actual sales, all of which clearly trigger the bar. Other advertising may signal an intent to place something on sale in the future, "but not today." *Linear Technology*, 275 F.3d at 1050-51 (applying *Group One* analysis to advertising materials). The bar should not be triggered until the offer required by *Pfaff* is actually made, not hinted at as a future possibility.

The second asserted policy cannot be served unless the inventor has a clear understanding when the patent application must be filed to disclose the inventor's knowledge to the public. *Pfaff*, 525 U.S. at 65. An inventor can "understand and control" the timing of his own conduct that can bind him to make a sale. *Id.* at 67. The petitioners' reliance on vague notions of promotional activity to trigger the bar offers no guidance to inventors who must determine when to file a patent application. Promotional activity for upcoming products not yet "on sale" is commonplace, to generate or to gauge market interest in the product, but has never been considered sufficient to trigger the on-sale bar. *See Seal-Flex, Inc. v. Athletic Track and Court Constr.*, 98 F.3d 1318, 1324 (Fed. Cir. 1996) (distinguishing "merely exploring the market" from "an unconditional offer to sell").

V. THE QUESTION PRESENTED WAS NOT PRESERVED IN THE COURT OF APPEALS

The petitioners did not raise the question presented until they filed a petition for rehearing and rehearing en banc in the Court of Appeals. During briefing of the appeal, the petitioners acquiesced to the Court of Appeals' application of the *Group One* decision. The issue was waived in the Court of Appeals. *United States v.*

Martinez, 96 F.3d 473, 475 (11th Cir. 1996), *cert. denied*, 519 U.S. 1133 (1997) (courts of appeal "do not consider issues or arguments raised for the first time on petition for rehearing."). Therefore, this Court should not consider the question. *Adickes v. S. H. Kress and Co.*, 398 U.S. 144, 147 n. 2 (1970).

CONCLUSION

The respondent Schreiber Foods, Inc. respectfully requests that this Court deny the petition for writ of certiorari.

Respectfully submitted,

THOMAS G. SCAVONE
Counsel of Record
MICHAEL P. MAZZA
PATRICK F. SOLON
NIRO, SCAVONE, HALLER & NIRO
181 West Madison Street
Suite 4600
Chicago, Illinois 60602
(312) 236-0733

Counsel for Respondent
Schreiber Foods, Inc.

Supreme Court, U.S.
FILED
SEP 18 2002
CLERK

No. 02-129

IN THE
Supreme Court of the United States

October Term, 2002

KUSTNER INDUSTRIES, S.A., *et al.*,
Petitioners,

v.

SCHREIBER FOODS, INC.,
Respondent,

On Petition For A Writ Of Certiorari To The United States Court Of Appeals For The Federal Circuit.

REPLY FOR THE PETITIONERS

James L. Quarles III
Counsel of Record
William G. McElwain
HALE AND DORR LLP
1455 Pennsylvania Ave, NW,
10th Floor
Washington, DC 20004
(202) 942-8400
Counsel for Petitioners

September 18, 2002

RULE 29.6 LISTING

Petitioner Kustner Industries, S.A. has no publicly traded subsidiaries or parents. Kustner Industries is an indirect subsidiary of the following private corporations: Gazana B.V., Brolaf Industries, N.V., Berkelium Investments Limited, and Olive Holdings Limited.

Petitioners Great Lakes Cheese Co., Inc., Great Lakes Cheese of LaCrosse Wisconsin, Inc. and Great Lakes Cheese of Wisconsin, Inc. also have no publicly traded subsidiaries or parents.

TABLE OF CONTENTS

page

Rule 29.6 Listing i

Table of Contents ii

Table of Authorities iii

Reply For The Petitioner 1

I. The Respondent's Mischaracterization Of The Factual Record Cannot Obscure The Fact That The Question Presented Was Central To The Decision 1

A. Because The Jury Was Erroneously Instructed On The "Ready For Sale" Prong Of The On-Sale Bar, A New Trial Was Required Unless A Remand Was Futile 2

B. There Was Overwhelming Evidence That Kustner Had, Under The Correct (And Existing) Standard, Offered An Accused Machine For Sale 3

II. *Pfaff* Did Not, As Respondent Suggests, Effect A Change In The Meaning Of "On Sale" 5

III. *Group One* Effected A Clear Change In The Law 6

IV. The Changed Legal Standard Raises Important Questions of Law And Policy 7

A. The Changed Legal Standard Is Important 7

B. The Cases Discussed By Respondent Do Not Diminish The Shift In The Legal Standard 8

V. Petitioners Are Not Barred From Raising This Question 10

Conclusion 10

TABLE OF AUTHORITIES

FEDERAL CASES

Barbed Wire Patent, 143 U.S. 275 (1892) 3

City of Elizabeth v. American Nicholson Pavement Co., 97 U.S. 126 (1877) 6

Finnigan Corp. v. ITC, 180 F.3d 1354 (Fed. Cir. 1999) 3

Group One, Ltd. v. Hallmark Cards, Inc., 254 F.3d 1041 (Fed. Cir. 2001) ..... *passim*

Jacobs Wind Elec. Co. v. Florida Dep't. of Transp., 919 F.2d 726 (Fed. Cir. 1990) 10

Keystone Retaining Wall Sys., Inc. v. Westrock, Inc., 792 F. Supp. 1552 (D. Or. 1991) 9

Linear Technology Corp. v. Micrel, Inc., 275 F.3d 1040 (Fed. Cir. 2001) 5, 7, 8, 9

Pfaff v. Wells Electronic, Inc., 525 U.S. 55 (1998) ..... *passim*

Plimpton v. Winslow, 14 F. 919 (Cir. Ct. D. Mass. 1883) 6

RCA Corp. v. Data General Corp., 887 F.2d 1056 (Fed. Cir. 1989) 4, 7, 9

Roberts v. Sears, Roebuck & Co., 723 F.2d 1324 (7th Cir. 1983) 2

Rodriguez de Quijas, et al. v. Shearson/American Express, Inc., 490 U.S. 477 (1989) 5

Seal-Flex, Inc. v. Athletic Track and Court Constr., 98 F.3d 1318 (Fed. Cir. 1996) 9, 10

Thomson S.A. v. Quixote Corp., 166 F.3d 1172 (Fed. Cir. 1999) 3

TRW Financial Systems, Inc. v. Unisys Corp., 835 F. Supp. 994 (E.D. Mich 1993) 9

FEDERAL STATUTES

35 U.S.C. § 102(b) ..... *passim*

Reply For The Petitioner

I. The Respondent's Mischaracterization Of The Factual Record Cannot Obscure The Fact That The Question Presented Was Central To The Decision.

In its effort to avoid review, respondent mischaracterizes the record to suggest that the facts do not squarely raise the question presented. Indeed, respondent asserts that "[t]his case turned on its facts, not the Federal Circuit's statement of the law." Respondent's Brief in Opposition ("Opp."), p. 1. That assertion is wrong for two reasons.

First, the jury heard this case before *Pfaff v. Wells Electronics, Inc.*, 525 US 55 (1998) was decided, and therefore received an incorrect instruction on the "ready for patenting" prong of the on-sale analysis. As a result of the Federal Circuit's subsequent decision in *Group One, Ltd. v. Hallmark Cards, Inc.*, 254 F.3d 1041 (Fed. Cir. 2001), the test for determining whether the Kustner machine was "on sale" was also changed. *Schreiber Foods, Inc. v. Beatrice Cheese, Inc., et al.*, No. 00-1303, 2002 U.S. App. LEXIS 4448, pp. 16-17, (Fed. Cir. Feb. 27, 2002). The Federal Circuit did not suggest that Kustner's proof that the machine was "on sale" was insufficient under the pre-*Group One* standard in effect at the time of trial. Thus, neither the jury, nor the Federal Circuit could have decided this case "on its facts" because the standard applied on appeal to all aspects of the on-sale analysis was different from the standard in effect when the trial record was created.

Second, the record demonstrates that the only justification given by the Court of Appeals for the Federal Circuit for its refusal to remand was that petitioner had not produced evidence sufficient to meet the "formal offer for sale" requirement imposed by *Group One*. *Id.*

BEST AVAILABLE COPY

A. Because The Jury Was Erroneously Instructed On The "Ready For Sale" Prong Of The On-Sale Bar, A New Trial Was Required Unless A Remand Was Futile.

The district court's instruction on the "ready for patenting" prong of the on-sale bar was flatly contrary to this Court's subsequent ruling in *Pfaff*. The district court's instruction required that, for the on-sale bar to apply, Kustner's machine must have been developed "to the point of demonstrating that it would work for its intended purpose." A193. In their closing argument, respondents seized upon this error, arguing that the instruction required an operable machine: "If you go out and try to sell something that's not operable, the patent law says that doesn't count." A5110. That instruction was, of course, substantially more stringent than the standard established by this Court's decision in *Pfaff* that the item or process need only be "ready for patenting" when offered for sale. *Pfaff*, 525 U.S. at 67.

Because the jury was improperly instructed to Kustner's detriment, the settled law of the Seventh Circuit (whose law governed non-patent issues) entitled Kustner to have its defense considered by a properly instructed jury, unless such consideration would be futile. *See, e.g., Roberts v. Sears, Roebuck & Co.*, 723 F.2d 1324, 1347 (7th Cir. 1983) (Posner, J. concurring).

Kustner's cross-appeal squarely raised the issue of the erroneous instruction[1] but the Federal Circuit did not decide it. Instead, the Federal Circuit avoided the issue by relying upon its recent *Group One* decision. In reliance upon its mistaken belief that *Pfaff* required evidence of "a formal offer under commercial contract principles" before an invention could be "on sale," the Federal Circuit held (again, we submit, mistakenly) that such evidence was missing and, therefore, a remand would be futile. *Schreiber Foods*, U.S. App. LEXIS 4448, pp. 16-17 (Fed. Cir. Feb. 27, 2002). The Federal Circuit's holding was,

---

[1] *See* Corrected Brief for Defendants-Cross Appellants Kustner Industries, S.A., et al., p. 59, May 30, 2001.

accordingly, wholly dependent upon the mistaken legal premise that this Court's *Pfaff* decision required Kustner to prove a written, UCC compliant, offer, acceptance, contract or bill of sale.

B. There Was Overwhelming Evidence That Kustner Had, Under The Correct (And Existing) Standard, Offered An Accused Machine For Sale.

Respondent alleges that "petitioners ... had no clear and convincing evidence of any "offer for sale," even using the petitioners' definition of the term." Opp. at 1. No jury or court has ever found, held, or stated that proposition. Instead, the record was replete with substantial evidence that Kustner sought to sell its machines years before the bar date. Thus, it was error to deny Kustner the right to have a jury, charged in accordance with this Court's decision in *Pfaff*, decide its case.

Two of Kustner's potential customers, Sargento Cheese and Land O'Lakes, confirmed the testimony of Kustner's sales agent that they had been asked to buy machines prior to the critical date.[2] A4506-10; A4570-77. Schreiber itself established that the prototype was on sale prior to the critical date. The Chairman of Schreiber wrote to Kustner's president, feigning sufficient interest in purchasing Kustner's machine that Kustner's president offered to fly to the United States to meet him. A9401-2. In addition, Kustner's United States' representative wrote customers long before the critical date, informing them of Kustner's new machine (*see, e.g.*, A9460), and later describing its features to numerous customers. *See, e.g.*, A9515-9525. Kustner's sales agent testified to significant sales

---

[2] Respondent labels this testimony "uncorroborated," relying on *Barbed Wire Patent*, 143 U.S. 275, 284 (1892) and *Finnigan Corp. v. ITC*, 180 F.3d 1354, 1367 (Fed. Cir. 1999). That reliance is misplaced. *Finnigan* expressly distinguishes itself from *Thomson S.A. v. Quixote Corp.*, 166 F.3d 1172 (Fed. Cir. 1999), on the basis that "*Thomson* did not involve uncorroborated testimony of a single witness." *Finnigan* at 1368. As *Finnigan* notes, *Thomson* found sufficient evidence to corroborate anticipation when the evidence came from a variety of sources. *Id.* The *Barbed Wire* case, on the other hand, concerned the weighing of conflicting oral evidence given by witnesses concerning events that happened thirty years prior to the litigation.

efforts prior to the critical date. *See, e.g.*, A4383; A4390; A4436; A4438; A9461-63; A9465; A9464; A9466-76; A9477-79; A9506-12; A9480-505; A9514 (detailing marketing and sales efforts, including sales presentations).

Unable to respond to the combined weight of this mass of commercial activity, respondent cherry-picks examples from the above list, dismissing them individually as not constituting clear and convincing evidence for lack of corroboration. Opp. at 3. That approach not only ignores the overall weight of the evidence, but also relies on misstatements of the record. For instance, respondent asserts that "Kustner was unable to produce more than the oral testimony of a single witness to each alleged offer. Not a single document corroborated the alleged offer for sale." Opp. at 2. In fact, *both* the salesman and Sargento Food's representative confirmed that they met, and that they discussed Sargento's purchase of a Kustner machine. *See, e.g.*, A4465-A4467; A4505-4510. If that were not enough, the salesman kept notes made during his sales presentation. *See* Exhibit 484. Contrary to respondent's assertion that price was not discussed, that there was no "offer to sell," and that the Sargento representative was not aware of any machine specifications, the record reveals that the representative was shown drawings of the prototype, had been given a general understanding of how the machine worked (A4509), understood the price of the machine to be around $600,000, and believed that the machine was available for purchase. A4510.

Kustner believes the evidence was sufficient to permit a jury to find that an "offer to sell" under the UCC had been made – but there can be no dispute that the evidence of substantial commercial activity met the correct, pre-*Group One* standard that "merely offering to sell a product by way of an advertisement ... may be evidence of a definite offer for sale ... even though no details are disclosed." *RCA Corp. v. Data General Corp.*, 887 F.2d 1056, 1062 (Fed. Cir. 1989). *See also id.* ("the policies or purposes underlying the on-sale bar ... define it"). Only by applying the more stringent *Group One* standard could

the Federal Circuit decide as it did. Thus, the issue here is the law declared by *Group One*, not the facts.

II. *Pfaff* Did Not, As Respondent Suggests, Effect A Change In The Meaning Of "On Sale."

Respondent asserts that "*Pfaff* clearly states that a "commercial offer for sale" is required" (Opp. at 7) and that "[t]his is not mere dicta, as the petitioners suggest (Pet. 9), but was the basis for this Court's holding that the patent at issue is invalid." Opp. at 8. Of course, it is for this Court to declare what its *Pfaff* opinion meant. *See, e.g., Rodriguez de Quijas, et al. v. Shearson/American Express, Inc.*, 490 U.S. 477, 484 (1989). We submit that respondent misreads the Court's opinion in *Pfaff*.

At least one Federal Circuit panel agrees with Kustner that *Pfaff* did not mandate the result in *Group One*. The panel which decided *Linear Technology Corp. v. Micrel, Inc.*, 275 F.3d 1040 (Fed. Cir. 2001)[3] noted that *Pfaff* "did not require the Court to decide what constitutes an offer for sale in the absence of an actual sale." *Linear* at 1048.

Even the *Group One* panel did not go so far as respondent. The *Group One* panel held that, although the issue was not actually presented in *Pfaff*, the language used by this Court "strongly suggests that the offer must meet the level of an offer for sale in the contracts sense, one that would be understood as such in the commercial community." *Group One,* 254 F.3d at 1046 (emphasis added). The *Group One* panel viewed this "suggestion" as sufficient to allow it to construct a new rule, or as the panel put it, "there is no binding precedent in this circuit that requires us to accept something less than an offer to contract." *Id.* at 1047. Respectfully, we suggest that, in looking to see whether its own precedent bound it, the Federal Circuit had the analysis exactly backwards. The panel was not considering an interstice of the common law, they were applying a statute,

---

[3] Micrel's petition for a writ of certiorari is pending. Petition for a Writ of Certiorari, *Micrel, Inc. v. Linear Technology Corp.*, 71 USLW 3093 (July 3, 2002) (No. 02-39) ("Micrel Pet.").

35 U.S.C. §102(b). That statute did not address "offer to contract," but by its terms applied to "offer for sale." And, far from being an open invitation to depart from the plain language of the statute, *Pfaff* had reversed the Federal Circuit's use of a non-statutory term to govern the other prong of the on-sale bar.

As we demonstrated in our petition at pages 8-11, and as demonstrated in the petition of Micrel (Micrel Pet. at 18-25), there is no indication in *Pfaff* that this Court intended to jettison the settled law that the bar of §102(b) was erected by efforts to commercialize the invention. Indeed, were this Court intending to adopt the extra-statutory language requirement that an "offer for sale" meet the requirements of the UCC, it surely was odd that this Court referred to an inventor's "commercial marketing of his invention" as the triggering event. *Pfaff*, 525 U.S. at 67 (emphasis added).

III. *Group One* Effected A Clear Change In The Law.

Respondent suggests that *Group One* did not change or modify existing caselaw. Opp. at 9-10. Respondent is wrong. *Group One*'s requirement of a formal contract offer under the UCC is a fundamental change in the law.

As noted in our petition (and ignored by respondent), as early as 1829 this Court recognized the basic policy of encouraging prompt disclosure served by an "on sale" bar. Pet. at 14-15. By 1878, this Court had established that a patent would be invalidated by an inventor's prior use of an invention for a profit, as opposed to a prior use for experimentation. "Any attempt to use [the invention] for a profit, and not by way of experiment, for a longer period than two [presently one] years, before the application, would deprive the inventor of his right to a patent." *City of Elizabeth v. American Nicholson Pavement Co.*, 97 U.S. 126, 137 (1877). Indeed, in 1884, the on-sale bar invalidated a patent for roller skates because the inventor had distributed a price list for the product. *Plimpton v. Winslow*, 14 F. 919, 920-921 (Cir. Ct. D. Mass. 1883).

Micrel's pending petition for a writ of certiorari No. 02-39, traces the numerous instances since these early cases in

which commercial marketing activities have been held sufficient to meet the requirements of the on-sale bar, citing cases from the Federal, Fifth, Sixth, Seventh, and Ninth Circuits as well as decisions of the district courts and the Court of Customs and Patent Appeals. Micrel Pet. at 10-17.

Indeed, the panel in *Linear* itself recognized that *Group One* effected a change in the law, finding that, under the previous *RCA* standard the on-sale bar would apply (*Linear*, 275 F.3d at 1049), but that, under the "new legal standard" of *Group One*, which "changed the analysis," the on-sale bar did not apply. *Id.* at 1043. Thus, despite the respondent's protestations, the Federal Circuit has recognized that a change in caselaw occurred, which was dispositive of the outcome in the *Linear* case, and dispositive of the "on-sale" issue here.

IV. The Changed Legal Standard Raises Important Questions Of Law And Policy.

A. The Changed Legal Standard Is Important.

Respondent criticizes petitioners' statement of the law prior to *Group One* as a "non-standard," and a "vague standard." Opp. at 13. The "non-standard" criticized by respondent, however, has been "the standard" for more than a century until a panel of the Federal Circuit decided *Group One*. If there is some perceived flaw in the statutory standard Congress selected, it is for Congress to select the new one.

The on-sale bar's value to the patent system, and the care with which the on-sale bar must be addressed, has been recognized by this Court. In *Pfaff*, the Court recognized that the on-sale bar is a "carefully crafted bargain that encourages both the creation and the public disclosure of new and useful advances in technology, in return for an exclusive monopoly for a limited period of time." *Pfaff*, 525 U.S. at 63.

Whether considered from the perspective of Kustner, who learns to its dismay that it has been ensnared by a patent issued on an application filed more than a year after the "inventor's" company feigned interest in buying the very technology it

later accused of infringement, or the perspective of Micrel, the change in the legal standard is dramatic. Kustner faces a judgment exceeding $15,000,000. Micrel faces a patent applied for more than a year after the inventor began to commercialize his invention by receiving orders. Micrel Pet. at 25.

B. The Cases Discussed By Respondent Do Not Diminish The Shift In The Legal Standard.

In an effort to suggest that *Group One* worked at most a minor shift, respondent first relies on the rationale advanced by *Group One* and the cases bound to follow its holding. To be sure, *Group One*'s holding, and the Federal Circuit's penchant for constructing bright line tests lacking any tether in the statutory language, is contrary to petitioners' position. That subsequent panels have followed *Group One* is scarcely surprising – they are powerless to do otherwise. *See* cases cited *infra* at 10.

Perhaps the best indication that there has been a substantial shift in the offer for sale standard is to compare the language this Court used to describe the standard in *Pfaff* with the *Linear Technology* panel's recognition that *Group One* worked a shift. In *Pfaff* the Court expressed its understanding that "commercial marketing" was the trigger.

> An inventor can both understand and control the timing of the first commercial marketing of his invention ... we perceive no reason why unmanageable uncertainty should attend a rule that measures the application of the on-sale bar of § 102(b) against the date when an invention that is ready for patenting is first marketed commercially.

Pfaff, 525 U.S. at 67 (emphasis added; footnote omitted).

The panel in *Linear* explicitly confirmed the change worked by *Group One*. Indeed, the panel recognized that, under the pre-*Group One* standard, the marketing activity of Linear Technology satisfied the on-sale bar, but under the *Group One* standard, that activity did not. *Linear*, 275 F.3d at 1043, 1049.

Thus, the respondent's attempts to dismiss "as dicta" the language in *RCA* confirming that a patentee's commercial activity not rising to the level of a formal offer can meet the requirement of the on-sale bar must fail. Even if this language were dicta in *RCA*, it accurately states the holdings of cases from this Court and other circuits extending back over a hundred years. *See* Micrel Pet. at 10-17.

Finally, respondent cites *Seal-Flex, Inc. v. Athletic Track and Court Constr.*, 98 F.3d 1318 (Fed. Cir. 1996) for the flawed proposition that "[p]romotional activity for upcoming products not yet "on sale" is commonplace, to generate or to gauge market interest in the product, but has never been considered sufficient to trigger the on-sale bar." Opp. at 15.

If respondent is suggesting that *Seal-Flex* permits a potential patentee to engage in commercial marketing, it is wrong. The Federal Circuit found in *Linear* that "LTC's significant pre-release efforts at commercialization and its targeted advertising to end-users could have triggered the on-sale bar under *RCA Corp.*" *Linear*, 275 F.3d at 1049. *See also Keystone Retaining Wall Sys., Inc. v. Westrock, Inc.*, 792 F. Supp. 1552, 1556 (D. Or. 1991) (marketing presentations to individuals with no contracting authority sufficient to place an invention "on sale"); *TRW Financial Systems, Inc. v. Unisys Corp.*, 835 F. Supp. 994, 1003 (E.D. Mich. 1993) ("[M]erely quoting a price to a potential customer when the invention is sufficiently developed can render a patent invalid under 35 U.S.C. § 102(b).").

Respondent's reliance on a single line of *Seal-Flex*, purportedly distinguishing an exploration of the market and an unconditional offer to sell, is misplaced. First, the language is dicta, as the issue decided was not the amount of marketing activity necessary to trigger the on-sale bar, but whether a question of fact existed concerning the necessity of continued experimental use. *See, e.g., Seal-Flex*, 98 F.3d at 1323 ("In view of the investor's uncertainty [concerning the invention's capability] ... Rothwell's contacts with potential customers ... cannot be held on summary judgment ... to be an on-sale event"). Second, *Seal-Flex* arose on summary judgment. The panel was

attempting to determine the possible presence or absence of an issue of material fact, not to state the precise contours of a legal doctrine. Finally, and perhaps most telling, *Seal-Flex* itself noted that "[w]e do not, of course, hold that an inventor may avoid the on-sale bar while engaging in commercial activity .... The totality of the circumstances standard does not accommodate behavior that contravenes the policies underlying the law." *Id.* at 1324.

V. Petitioners Are Not Barred From Raising This Question.

Respondent errs in asserting that Kustner "acquiesced" to application of *Group One*. *Group One* was not even decided when Kustner filed its opening brief. Before the panel Kustner argued that the policy behind §102(b) would be thwarted if Kustner's activities were construed under *Group One* as not constituting an "offer for sale." Kustner Reply Br. at 12.

More importantly, the Federal Circuit has made it abundantly clear that panels must follow the holdings of prior panel decisions. *Jacobs Wind Elec. Co. v. Florida Dep't. of Transp.*, 919 F.2d 726, 728 (Fed. Cir. 1990). (panel "powerless" to overrule precedential opinion). Kustner sought, but was denied, an *en banc* hearing.

Conclusion

For the foregoing reasons and the reasons contained in petitioners' petition a writ of certiorari should issue to review the judgment and opinion of the Federal Circuit.

Respectfully submitted,

James L. Quarles III
Counsel of Record
William G. McElwain
HALE AND DORR LLP
1455 Pennsylvania Ave., N.W. 10th Fl.
Washington, D.C. 20004
(202) 942-8400

September 18th, 2002